S. Hrg. 98-988

RESTRICTIONS ON THE USE OF FOREIGN-MADE CEMENT IN FEDERAL-AID HIGHWAY PROJECTS

HEARING

BEFORE THE

SUBCOMMITTEE ON TRANSPORTATION

OF THE

COMMITTEE ON

ENVIRONMENT AND PUBLIC WORKS

UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

AUGUST 1, 1984

Printed for the use of the Committee on Environment and Public Works

U.S. GOVERNMENT PRINTING OFFICE
38-281 O WASHINGTON : 1984

S321-37

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RESTRICTIONS ON THE USE OF FOREIGN-MADE CEMENT IN FEDERAL-AID HIGHWAY PROJECTS

WEDNESDAY, AUGUST 1, 1984

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
SUBCOMMITTEE ON TRANSPORTATION,
Washington, DC.

The subcommittee met at 2:10 p.m., in room SD–406, Dirksen Senate Office Building, Hon. Steve Symms (chairman of the subcommittee) presiding.

Present: Senators Symms, Chafee, and Mitchell.

OPENING STATEMENT OF HON. STEVE SYMMS, U.S. SENATOR FROM THE STATE OF IDAHO

Senator SYMMS. Good afternoon. Welcome to today's hearing. My apologies for being late. I say that to my good friend from Maine who is the prime mover behind this hearing. I give him every compliment and credit for his long and continuing interest in this issue.

The purpose of this hearing is to receive testimony on the subject of "Buy America" restrictions as applied to cement used in the Federal-aid highway projects.

There has been an ongoing debate over protectionism versus free trade in this country for more than 50 years. The focus of today's hearing, however, is only on the question of whether or not cement should be included in the statutory "Buy America" restrictions imposed on the Federal-aid highway program.

The Surface Transportation Assistance Act, enacted in January 1983, included cement for the first time in the Buy America statute. The STAA of 1982 represents a major transportation milestone. That legislation has provided a significant and critically needed increase in funding for the Federal-aid highway program.

Since fiscal year 1983, States have been steadily obligating all available funds and making remarkable progress in addressing the important construction and rehabilitation needs on our Nation's network of highway and bridges.

While the 1982 act has for the most part produced positive results, there are still remaining concerns. In the case of the domestic cement requirement contained in the STAA of 1982, I have two specific concerns: First, the integrity of the agreement reached in conference between House and Senate conferees in December 1982 and, second, over the merits of applying statutory Buy America protections to the cement used in highway construction projects.

Senate conferees on the 1982 bill did not agree to the inclusion of cement. That is why cement was removed at the first available opportunity with H.R. 4957, the 6-month highway bill signed into law in March of this year. Cement was covered by Buy America, therefore, for over 1 year—from January 1983 to March 1984.

Today's witnesses have been asked to comment on any or all of the following questions:

The cement situation both before and after the period of statutory protections;

The situation during the time of the domestic cement requirement;

Employment and other economic impacts; and

The amount and types of cement used in highway construction and the availability of cement supplies in various regions of the United States.

In order that we may hear from all of our scheduled witnesses, I must ask that individuals try to keep their testimony as close to 5 minutes as possible. Your complete written statements will be printed as part of the hearing record.

I might add that the record will be held open until early September should anyone else wish to submit testimony on this subject.

Before we begin the hearing, I want to take this opportunity to reemphasize the importance of legislation now pending to approve an Interstate cost estimate [ICE] and Interstate substitute cost estimate [ISCE] for an 18-month period. S. 2527, the Federal-Aid Highway Act of 1984, was reported by this committee in June. I hope that this vitally needed legislation will be passed as soon as possible by the Congress so that a total of nearly $5.3 billion in Interstate construction funds and close to $800 million in funding for Interstate substitute highway projects can be released to the States.

The ICE/ISCE approvals are essential, but so is a financially sound highway trust fund. The Federal-Aid Highway Program has traditionally been based on carefully determined formulas to meet legitimate and proven needs in all the States. It has not been a program driven by political pressures for costly individual special projects.

I recognize that there are occasionally situations where a demonstration project may be justified, but I strongly believe that the only responsible course is for criteria establishing the importance of the demonstration, a State match, and a cap on the cost of those projects. S. 2527 contains those criteria, while legislation passed by the other body opens the door to additional spending of close to $5 billion ultimately. Obviously, the trust fund cannot support such extravagant spending and stay solvent.

If for whatever reason it becomes impossible to move S. 2527, the committee has also reported a joint resolution, Senate Joint Resolution 312, a clean ICE/ISCE. Senate Joint Resolution 312 contains only the ICE and ISCE approvals, along with a provision that is also in S. 2527 allowing the Secretary to administratively release these funds in the future. If Congress is unable to act in a timely manner on S. 2527, members of this committee continue to believe that the Senate joint resolution should be approved.

Let us turn now to the issue of Buy America. I would like to welcome all our witnesses and say that I am looking forward to hearing testimony on the foreign and domestic cement situation and on the advantages and disadvantages of Buy America protections for cement used in Federal-aid highway projects.

I can't help but notice that Ambassador Robert Lighthizer is going to be here as the lead-off witness. He is well-known by us as the chief counsel for the Finance Committee before going on to his present job. We are always glad to see him back here on the Hill. We all held him in such high esteem. We hope he is enjoying his new work. We look forward to hearing from him.

OPENING STATEMENT OF HON. GEORGE MITCHELL, U.S. SENATOR FROM THE STATE OF MAINE

Senator MITCHELL. Yes, Mr. Chairman, thank you very much for your introductory remarks, and especially my thanks to you, Senator Chafee, and Chairman Stafford for your help in scheduling this hearing today on the effects of the Buy America protection for domestically produced cement which is used in federally funded highway projects.

I look forward to hearing from the witnesses today, including Mr. Lighthizer with whom the three of us served while members of the Finance Committee, and I want to pay special note to Mr. Ival Cianchette who is here on behalf of the Cianbro Corp., which is located in Maine. We look forward to hearing his testimony as part of the second panel.

The Surface Transportation Assistance Act of 1982 wisely included protection for domestically produced cement in its Buy America provision. However, in an attempt to expeditiously provide State funds for interstate highway construction, protection for cement was deleted by the House in H.R. 4957. The Senate approved the House bill without change on March 2 of this year. It is my hope that this congressional action can be reversed and that the Buy America protection for cement can be reinstated.

There are several reasons to require that domestically produced cement be used in federally assisted highway construction. I know we will hear in detail from some of the witnesses in that regard. Let me briefly identify some of them.

First, it was understood that funds provided by the increase in the Federal gas tax in 1982 would be used to stimulate American industries and provide needed employment for American workers. In addition, domestic cement producers are being forced to compete in an unfair market in which foreign countries either subsidize their industries, as in Mexico, or protect their industries, as Canada does with restrictive import policies of its own.

I look forward to the testimony today, both those who support inclusion of the provision and those who oppose it. I believe that following the hearing we will all have a better understanding of the problem and the need for action.

I thank you again, Mr. Chairman, and Senator Chafee for your courtesy in scheduling this hearing.

Senator SYMMS. Senator Chafee?

OPENING STATEMENT OF HON. JOHN H. CHAFEE, U.S. SENATOR FROM THE STATE OF RHODE ISLAND

Senator CHAFEE. Thank you, Mr. Chairman. I just want to commend you and Senator Mitchell for these hearings. Senator Mitchell has been extremely interested in this subject. He has made his views forcefully known before this committee on many occasions on the subject of Buy American as it applies to cement. I am glad that we are having these hearings which, as I say, come primarily because of the interest and diligent pursuit of this matter by Senator Mitchell. So thank you, Mr. Chairman.

I have a statement that I will submit for the record.

Senator SYMMS. Thank you, Senator Chafee, your statement will be included in the record.

Before we hear from our first witness, I would like to mention that I visited with Senator Randolph prior to the hearing. He had expected to attend. But he did have a conflict develop in his schedule. He has indicated to me that he will carefully review the hearing record today, and he apologizes to all of the witnesses because he is interested in the issue and he will further develop his position on the Buy America part. So without objection, I will submit his statement for the record.

[The statements referred to follow:]

OPENING STATEMENT OF HON. JOHN H. CHAFEE, U.S. SENATOR FROM THE STATE OF RHODE ISLAND

Mr. Chairman, in December 1982, Congress made a bargain with everyone in America who drive an automobile. We passed landmark legislation—the Surface Transportation Assistance Act of 1982—which nearly doubled the gasoline tax, from 4 to 9 cents per gallon.

We took this bold step because we recognized that something had to be done to stop the alarming deterioration of our nation's roads and bridges. The national interest compelled action to reverse this trend.

The federal investment in highway and bridge repair has been increased from $8 billion in 1982 to over $11 billion this year. But recent estimates indicate that our nation's transportation system faces such serious long-term deterioration that even this huge investment will not solve our problems. Our Number One objective must be to repair highways in a prompt and cost-effective manner. And that means assuring the largest possible marketplace for the delivery of highway repair services. Only by permitting such competition can we keep our bargain with American taxpayers and insure that their gas tax dollars are carefully spent.

However, there are some who would like to make the marketplace smaller. Efforts have been made both in the House and Senate to amend the domestic content or "Buy America" provisions of highway law. The House adopted stringent Buy America requirements in 1982, but these were rejected in the Senate. The conferees agreed to make only one change in the previous law—that is, to increase the bid preference for American steel from 10 to 25 percent.

Although no other changes were agreed to by the Senate conferees, the language which came back over in the Conference Report on December 23, 1982, was far more restrictive, prohibiting the use of imported steel and cement and removing the "small projects" threshold. The discrepancy in the language was attested to in a colloquy by members of this committee from both parties, and the incorrect language has been repudiated in votes in this committee and by the full Senate.

In March of this year we made great progress with the House in clarifying the scope of coverage of the Buy America provision, by deleting the reference to cement. Understandably, some would now like to close the doors to competition by reinstating protection against imported cement.

Now it might be suggested that since we have virtually given over the entire U.S. highway market to U.S. steel, that we should do the same for cement. So perhaps this can be seen as an argument for equity: "Evenhanded protectionism."

This is an excellent case study of one of the principle dangers of protectionism: It spreads.

We have to realize that erecting a new trade barrier is a very serious step for any nation to take. In international trade and finance every action creates a reaction. Nations will act to protect their interests under the GATT. Canada—which, of course, provides most of our imported cement—is also the best customer for our exports.

Canada buys American coal. Canada buys our computers, our aircraft, our tractors, our chemical products, our scientific equipment, and a host of other commodities. Hundreds of thousands of American jobs depend on our exports to Canada. And these jobs could be in jeopardy if Canada were to retaliate against the kind of protectionist measure being proposed here today.

Closing the door to imported cement would clearly conflict with the goals of our trade policy. It would also conflict with the goals of the highway program which this committee oversees.

Highway dollars are limited. Preventing competition is not the way to insure the most productive use of those dollars. Highway construction seasons are limited. In areas such as the northeast and northern tier states, serious cement shortages have occurred in recent years. Preventing the use of imports is not the way to insure that highway projects are completed on time.

All of these factors must be carefully considered whenever we talk about closing the door to imported cement in the highway program. Such an action would not be without consequences—for our trading relationships, our exports, and our nation's transportation system. I'm pleased that the committee will have an opportunity to examine these questions today.

Opening Statement of Hon. Jennings Randolph, U.S. Senator From the State of West Virginnia

Mr. Chairman, I am pleased to join with you and other interested members of the Committee as we seek to gain a better understanding of the problems within our domestic cement industry which led to their request in 1982 for "Buy America" protection under the highway program. As a long believer in our domestic industries, I supported the efforts in 1982 to include protection for this important American industry.

I was extremely sorry to see the Buy America provision amended earlier this year to delete cement and supported the efforts of our colleague, Senator Mitchell, in seeking its reinstatement. A number of our American cement producers were beginning to feel the results of our 1982 action. The signing of the six-month Interstate bill in March could be viewed as a step backward. One large cement producer lost a possible contract for 600,000 tons because of that action.

Mr. Chairman, I look forward to hearing from our witnesses today who will discuss cement from both an international trade perspective and its importance to the American economy and economic recovery. With the activities which are going on in this country with respect to our infrastructure, a sound domestic cement industry is essential. I believe the only way to afford this soundness is to afford them "Buy America" protection.

Senator Symms. Mr. Lighthizer, please go ahead.

STATEMENT OF AMBASSADOR ROBERT LIGHTHIZER, DEPUTY U.S. TRADE REPRESENTATIVE

Ambassador Lighthizer. Thank you, Mr. Chairman. With your permission, I will read a brief statement and ask to have my entire statement made a part of the record.

I am pleased to have the opportunity to appear before this subcommittee to discuss the subject of proposed Buy American restrictions on cement. The administration applauds the actions which this committee has taken to keep the act free of Buy American cement restrictions. We believe that such restrictions would work to defeat the purposes of this important legislation while inviting countries adversely affected by their action, particularly Canada, to take retaliatory action against U.S. exports.

The purpose of the Surface Transportation Assistance Act of 1982 is to reinvigorate our Nation's transportation network. The addition of new Buy America restrictions to the act would make the materials used in this work more costly and could result in fewer highway miles being built or repaired.

Buy America restrictions would also create pressure in other countries to take similar actions. This is something, of course, which this country can ill afford as one of every eight U.S. manufacturing jobs and one of every 3 acres of agricultural production is accounted for by exports.

Placing things in perspective, the Federal-Aid Highway Program accounts for only about 6 percent of domestic consumption of cement, and import penetration in this industry is, and has been, historically low. The difficulties of our domestic cement industry have been caused primarily by the recession induced slump in production, not by imports. The answer to these difficulties will be improving our economy, not narrow protectionist measures.

I have heard it argued that upwards of 1,000 jobs in the cement industry are dependent upon the adoption of Buy America restrictions. Our analysis differs. We estimate that the entire highway aid program could support a total of about 1,815 jobs in the cement industry. Assuming that the generally low level of import penetration for cement as a whole has reflected only the rate of import penetration for Federal aid highway construction, the Buy America restriction would save only about 80 jobs, three-tenths of a percent of the total employment in the cement industry.

There would be a cost to this course of action. The cost of each of these jobs could range from $21,000 to $180,000 per job, depending on the impact of the Buy America restrictions on overall cement prices for highway construction projects. Also, the additional cost of cement will mean less money available for highway construction and repair and result in fewer construction jobs as well as fewer jobs in the industries which supply materials for highway construction.

Some are arguing that the Buy America restrictions are necessary to offset the unfair trade practices of other countries. I disagree. U.S. law already provides strong remedies for firms that have been injured by unfair trade practices, such as government subsidization or dumping. Buy America restrictions, however, would indiscriminately punish both fair and unfair trade.

I have also heard it argued that we should adopt Buy America restrictions because other countries such as Canada have their own buy national policies. However, if we add to our already considerable arsenal of Buy America restrictions, we will encourage others to do likewise, to our detriment.

We estimate, for instance, that about 20 percent of the goods purchased by the Canadian Government comes from the United States, while by our estimation less than 5 percent of our total Federal procurement comes from foreign sources.

Canada has shown in this area that it recognizes that free trade is not a one-way street. Canada reciprocated for the elimination of our cement restrictions by terminating a surtax applicable to the imports of U.S. specialty steel. I am certain that the Canadian Government will reverse this action if we reimpose Buy America restrictions on cement.

The interests of this country lie in opening foreign procurement rather than in further restricting access to the U.S. market. In fact, we are attempting to negotiate improved access to foreign procurement markets through an expansion of the International Government Procurement Code. Canada has been a strong ally in this effort and has even proposed we consider a bilateral agreement to open our respective markets on a reciprocal basis. Adoption of new Buy America restrictions on cement would seriously damage our credibility in these efforts.

On balance, the costs to us far outweigh any benefits. Therefore, we urge you to continue to resist efforts to expand the Buy America provisions on the Surface Transportation Assistance Act.

Thank you, Mr. Chairman.

Senator SYMMS. Thank you very much, Mr. Lighthizer. Your statement in its entirety will be made part of the record.

Could we now hear from Joseph Dennin, Assistant Secretary for International Economic Policy, Department of Commerce.

Mr. Dennin, your entire statement will be made a part of our record also.

STATEMENT OF JOSEPH DENNIN, ASSISTANT SECRETARY FOR INTERNATIONAL ECONOMIC POLICY, DEPARTMENT OF COMMERCE

Mr. DENNIN. Thank you, Mr. Chairman. In that case I will just make a rather brief oral statement.

I want to begin by thanking the subcommittee for providing the opportunity to explain why the Department of Commerce opposes enactment of Buy America restrictions on the use of foreign-made cement in federally funded highway projects. In our view, such restrictions would have strong negative effects on our multilateral and bilateral trading relationship and would undermine our efforts to preserve and expand markets for U.S. exports.

Discriminatory foreign government purchasing policies are one of the major trade barriers handicapping U.S. exporters. Many governments maintain informal or formal policies that establish artificial margins or absolute preferences in favor of domestic producers. Because of these measures, U.S. goods and services that are superior to their foreign competition in price, quality or other aspects, are denied sales they would otherwise capture.

For these reasons, one of our important trade objectives has been to halt the spread of foreign buy-national policies. We monitor new buy-national measures under consideration by the foreign governments and, where necessary, press those governments to reject them. Similarly, our trading partners carefully scrutinize our actions in this area. Thus, any new Buy America restriction is likely to prompt foreign retaliation. In addition, our ability to dissuade other countries from raising buy national barriers will be diminished if we enact such restrictions of our own.

We are also working with our trading partners to reduce existing buy-national preferences. In November 1983, we began negotiations to expand the GATT Agreement on Government Procurement which requires signatories to accord nondiscriminatory treatment to products from other signatories for those Government purchases specified in the Agreement. We are seeking to place under code discipline sectors where U.S. products are highly competitive, including transportation, telecommunications, heavy electrical equipment and services such as computer services and insurance. Our negotiating partners will question our commitment to expanding code coverage, however, if we enact new, more restrictive legislation.

There is also an important bilateral dimension to consider. The proposed preferences would primarily affect Canada, our largest foreign supplier of cement. Yet Canada is the largest market for U.S. exports. In 1983, we sold $38.2 billion worth of goods there, some 19 percent of our total exports. Enactment of buy-national provisions for cement could very well jeopardize our success in this very important market.

As in any trading relationship, our dealings with Canada are not totally free of friction. Clearly Canada maintains some trade measures that cause us problems. On balance, however, the Canadian Government over the past 3 years has displayed a constructive attitude toward trade liberalization. Reinstatement of the cement Buy America provision is likely to reverse this trend as well as impede additional trade liberalizing steps. Moreover, it could well invite Canadian retaliation against the U.S. export interests.

I would like to turn briefly now to the implications for our domestic industry. There is no question that the U.S. cement industry had major problems during the recent recession with shipments of Portland cement reaching a lower level than in any recession in recent memory. However, the economic recovery is now fueling a strong increase in demand for cement. The volume of shipments of Portland cement increased 10 percent from 1982 to 1983. This was the largest annual increase in demand in over 15 years. This rise is continuing in 1984. In the first 5 months of this year, cement shipments were 22-percent higher than the same period the year before. While demand is unlikely to sustain this level of increase for the whole year, we expect it will register at least a 12-percent increase in 1984 over 1983.

Market forces are doing more to restore the health of the U.S. cement industry than Government policies could or should do. Purchases of cement with Federal funds under the Surface Transportation Assistance Act comprise only about 6 percent of total U.S. production of Portland cement. Since a portion of these purchases goes to U.S. suppliers anyway. Buy America preferences would shift purchases from foreign to domestic suppliers on considerably less than 6 percent of total U.S. demand for cement.

Moreover, imports remain a relatively small share of U.S. Portland cement consumption. They have increased sharply since 1982: in fact, the volume of cement imports rose about 60 percent from 1982 to 1983. However, because of the large expansion in demand, this has resulted in only a slight increase in the import penetration ratio, from about 3 percent in 1982 to almost 4 percent in 1983. Import penetration has remained below 6 percent in the first 5 months of 1984.

In summary, the proposed measure does not serve either our trade policy or our commercial interests. Buy American restrictions would jeopardize our efforts to stop the spread of foreign buy national policies, severely hamper our international negotiations to reduce existing buy national policies, and damage our bilateral trade relations with Canada. Moreover, market forces are causing an upswing for the U.S. domestic cement industry.

For all of these reasons, the Department of Commerce opposes enactment of Buy American restrictions on foreign-made cement in federally funded projects.

Thank you.

Senator SYMMS. Thank you very much for your statement.

We will now hear from Mr. Rex C. Leathers, who is representing the Federal Highway Administration this afternoon.

STATEMENT OF REX C. LEATHERS, ASSOCIATE ADMINISTRATOR FOR ENGINEERING AND OPERATIONS, FEDERAL HIGHWAY ADMINISTRATION, DEPARTMENT OF TRANSPORTATION

Mr. LEATHERS. Thank you, Mr. Chairman, members of the subcommittee. I am pleased to be here to discuss the subject of Buy America restrictions on the use of foreign-made cement in Federal-aid highway projects. As has been stated before, prior to the enactment of the Surface Transportation Assistance Act of 1982, foreign-made cement was usable in all Federal-aid highway projects without restriction.

Section 165 of the Surface Transportation Assistance Act added cement as a specifically mentioned product to be restricted under the Buy America provision. From January 6, 1983, until the enactment of Public Law 98–229 on March 9, 1984, the use of foreign-made cement was so restricted. That public law deleted cement as a specifically mentioned product to be restricted under the Buy America statute.

Accordingly, the use of foreign-made cement is no longer restricted in Federal-aid projects.

The effects of the Public Law 98–229 provision on domestic cement production and the costs of highway construction are uncertain. Very little time has elapsed since March 9, 1984, for new projects and for foreign-made cement to be used more abundantly in the new projects. The data we have are sparse and largely unreliable.

For the record, we have a fact sheet attached to my full statement which details the actions of the Federal Highway Administration since the enactment of the Surface Transportation Assistance Act.

We estimate that the number of jobs in the domestic cement industry that would be saved by reimposing Buy America requirements on cement used on Federal-aid highway construction projects would be very small. The Federal-aid highway program consumes approximately 6 percent of the total U.S. cement production, but the FHWA has no data on the percentage of imported cement so used. While there could be regional impacts, it is unlikely that imported cement used in the program would have significant national impact.

Of greater importance to the cement industry nationwide than the impact of imports is the increased demand for cement associated with the higher Federal-aid program levels authorized in the STAA. Apportionments to the States between 1982 and 1983 increased by 45 percent. As these apportionments are obligated and as construction increases, the dollar outlays for cement should grow proportionately.

The increased use of domestic cement associated with an expanding Federal-aid highway program should far outweigh any decreases that would be associated with allowing imported cement to be used on highway projects.

One factor which has been of great concern to FHWA as it increased its program levels is that the real value of those dollars not be eroded by renewed inflation in highway construction costs. Even though there recently has been some excess capacity in the cement industry, not all regions of the country may be able to absorb the additional demand created by increases in highway and other public and private construction without there being upward pressure on prices. Allowing unrestricted imports of cement for Federal-aid highway construction could ease such short-term pressures and contribute to maintaining the low levels of inflation in highway construction costs that have been achieved in the past several years.

For these reasons, we would oppose any expansion of the Buy America requirement for cement. That concludes my statement.

[The attachment to Mr. Leathers statement follows:]

BUY AMERICA

Implementation of Section 165 of STAA of 1982.

STATUS

Section 165, which was effective January 6, 1983, provided with exceptions that funds authorized for Federal-aid highway projects may not be obligated unless the steel, cement, and manufactured products used in those projects are produced in the United States.

An interim final rule and request for comments were published by FHWA on January 17, 1983, with an expiration date of September 30, 1983. That rule covered all cement and steel materials, with a threshold of application to projects estimated to cost more than $450,000.

The FHWA published an amendment to the interim rule effective on June 10, 1983, which eliminated the threshold, making Buy America applicable to all projects regardless of cost.

Almost 600 comments were received during the comment period, which closed August 1, 1983. The principal issues brought out were that the depressed steel industry should be supported, the threshold should be lowered, asphalt should be exempted, and Canadian clinker/cement imports should be permitted.

A final rule was published November 25, 1983, with an effective date of December 27, 1983. That rule made Buy America applicable to cement and steel materials. All asphalt was exempted. The rule permitted foreign steel/cement materials if using domestic materials results in a bid differential in the project cost of more than 25 percent. There is no threshold of application for this rule. Each State may impose its own more stringent Buy America rules.

States were allowed to request waivers to the Buy America rule, based on public interest or the fact that the product is not available domestically. Although several waivers were requested, none were granted for cement and only a few were approved for small quantities of steel and concrete products.

Pub. L. 98–229, enacted on March 9, 1984, amended Section 165(a) of the STAA of 1982 by striking the word "cement". Division Administrators were informed that in accordance with normal procedures, they may approve provisions permitting the use of foreign cement. The statute has a prospective effect only and should not be construed to permit modification of existing contracts.

A final rule deleting cement from the Buy America regulation was published in the Federal Register on May 3.

On April 25, Mr. Anderson of California introduced H.R. 5504 for Mr. Howard (New Jersey), Mr. Snyder (Kentucky), Mr. Shuster (Pennsylvania), and himself. Section 131(a) of that bill would amend section 165(a) of the STAA of 1982 by reestablishing Buy America requirements for cement. The restriction on cement would apply only to foreign countries located in North America. The bill

would also increase the U.S. content for transit rolling stock from 50 to 85 percent. USTR, OMB, and DOT oppose the amendments.

Senator SYMMS. Thank you very much.

Senator Mitchell.

Senator MITCHELL. Thank you, Mr. Chairman.

Mr. Lighthizer, I was interested in the portion of your statement, part of which you read, involving the circumstances of the deletion of the Buy America provisions of the act. You stated that Canada reciprocated by terminating its surtax applicable to imports of U.S. specialty steel.

What it sounds like is that there was a deal made in which the United States would take action with respect to the cement provision in exchange for which the Canadians would take action with respect to specialty steel. I wonder if you would tell us whether there were any discussions at all between the United States and Canada in this regard and what they consisted of.

Ambassador LIGHTHIZER. Certainly, Senator.

First of all, we supported deletion of the Buy America cement provisions as a matter of administration policy and because we thought it was in our economic interest, wholly apart from any effects that it had on specialty steel. Subsequently, we took action to impose certain import restrictions on specialty steel, which had a negative effect on Canada, and for which Canada indicated that they intended to retaliate by specifically putting surtaxes on American specialty steel going into Canada.

So we contacted the Canadian Embassy here, told them that we supported the move to remove cement from the Buy America provision, but said that if we were successful, that their agreement to reciprocate in some way would probably help us. And at that time the Canadian Government agreed if Senator Chafee and we were successful in having this provision removed, that they would in fact drop their retaliation.

Subsequent to that, the provision was changed and Canada, in the last couple of months, has in fact dropped their surtax on American specialty steel, Senator.

Senator MITCHELL. So we took action with respect to steel. They retaliated by taking action with respect to steel. We then entered into an arrangement with them whereby we dropped the Buy America provisions on cement in exchange for their dropping their retaliatory action on steel. In effect what we have done is we have offered up the sacrifice of cement to take care of steel.

Ambassador LIGHTHIZER. First, I would say, Senator, that we didn't remove the provision. The U.S. Congress did. So it wasn't really an administration deal. The only thing the administration did was support the deletion of cement from the Buy America provision, which was our position from the outset anyway. So in terms of what we gave up in this deal, I would say we didn't really give anything up. We thought that it would help us make our argument with the Congress if we suggested that there was something else here at stake. But the administration, for our part, supported the deletion of this cement from Buy America, without regard to what the Canadians did on specialty steel. So there was no quid pro quo from our side. We supported the Chafee position regardless of what the Canadians did.

Senator MITCHELL. I understand that, but you then utilized it in dealings with the Canadians to get them to remove the restrictions they had imposed on steel in retaliation to our action on steel. I mean, by your own testimony, the sequence of events commenced with our actions with respect to steel.

Ambassador LIGHTHIZER. That is correct.

Senator MITCHELL. Then they retaliated.

Senator CHAFEE. Our actions with respect to cement.

Senator MITCHELL. No. I was correct in what I said. He testified just now that the sequence of events commenced with the imposition by the United States of restrictions on steel. The Canadians then retaliated by imposing restrictions on steel. We then took action with respect to cement, which, Mr. Lighthizer just testified a few moments ago, was then suggested to the Canadians would represent an action on our part that could lead to their dropping the action they took on steel. So in effect we started the process by imposing restrictions on steel and we ended the process by deleting the Buy American on cement to get them to drop their retaliation to our first action on steel. That is what he just testified to.

Senator CHAFEE. Let's review the bidding. I was fairly involved in this. It wasn't that it started with the Buy American restrictions on steel. It was Buy American restrictions on steel, cement, and other manufactured products.

Let me just finish.

Senator MITCHELL. Let me just say, this is my line of questioning. You are free to contradict Ambassador Lighthizer's testimony if you want to. I am just repeating what he just testified to. If you disagree with it, I certainly respect your right to do that.

Senator CHAFEE. I am not exactly sure which point you are pursuing, whether he solely restricted it. In your testimony, you mentioned thet Buy American restrictions, didn't you? Did you say on steel?

Ambassador LIGHTHIZER. No, sir.

Senator CHAFEE. I didn't think you even mentioned steel.

Senator MITCHELL. It wasn't Buy American on steel. That is why he didn't mention it. I didn't say he mentioned it.

Senator SYMMS. The way I remember what happened is this committee had an agreement which, when the law was written, differed from the agreement, and Senator Chafee came in and changed it in this committee. Is that right, Senator?

Senator MITCHELL. Let me say, the Ambassador's testimony is on the record and we can all read it tomorrow. I am not going to ask the stenographer to read it back now. But it is absolutely clear beyond any dispute what he just said. It did not not initiate with the Buy American provision on steel. He didn't say that and I didn't say he did. What he did say was it began, in his testimony, with our imposing restrictions on steel, to which the Canadians retaliated by imposing restrictions on steel themselves. You were very clear that it was your position in any event, you supported Senator Chafee in dropping the Buy America on cement, in exchange for which the Canadians then dropped the restrictions on steel that they had previously imposed as a response to our imposition of a restriction on steel. That is what he said.

Ambassador Lighthizer. That is correct.

Senator Symms. That may be the case. However, Senator, the way I have it now, what you said was when this Congress passed STAA in 1982, we had what we thought was an understanding, but the bill almost passed before the ink had dried, and when it came out in print, it was not what the administration's position was on Buy America nor was it Senator Chafee's agreement because he had been one of the principals in negotiating that. Then we came back to committee and unanimously voted back to a position that was more in line with what the administration position was in the first place.

Ambassador Lighthizer. That is correct, Mr. Chairman.

Senator Symms. They weren't giving anything away. They didn't believe in Buy America in the first place.

Ambassador Lighthizer. We supported Senator Chafee before the bill passed in 1982. I think that is what you are saying, Senator.

Senator Symms. I want to get on with a couple of questions I want to ask and then Senator Chafee wants to ask questions. Then we will come back to you.

Senator Mitchell. No, you go ahead. I have several more.

Senator Symms. I do want to keep the hearing moving. What is the financial position of the cement industry in the United States today?

Mr. Dennin. Mr. Chairman, the financial condition is an improving one. The demand for cement is increasing as the economy in the United States improves. There have been some shifts of U.S. production from some areas of the country to areas in which there was more localized demand. There have been some plant closings. But those were due, we believe, to the very high costs of some older and inefficient operating plants, and other environmental cost factors.

Senator Symms. It just happens that somebody brought to my attention an article in Business Week of May 7 that said that the cement industry is on the rebound. Would you generally agree with that? Is that generally the situation?

Mr. Dennin. Absolutely, Senator.

Senator Symms. Are Canada and Mexico the two countries primarily that we import cement from?

Mr. Dennin. About 50 percent from Canada. About 20 percent from Mexico.

Senator Symms. ~~But~~ in terms of what has been said here with respect to the highway program, even with the imports from Canada and Mexico, with the additional dollars going in the highway program, are the American cement companies selling more cement or less cement to the Federal highway program?

Mr. Dennin. The American cement companies are selling more cement.

Senator Symms. To the Federal highway program. That is in addition to whatever imports come into the country.

Mr. Dennin. Yes, Senator. And I might take this opportunity to clear up what I believe is a bit of a misunderstanding concerning a study which was released recently that gave the impression that a high number of jobs would be saved by virtue of the Buy America provision of the act.

Having discussed that with the author of that study, it is my understanding that no specific analysis was ever done as to whether or not those jobs would be saved or increased because of the Buy America provision. Rather, it was simply a calculation on his part as to the jobs which would be saved or increased because of the increased expenditures, because of the act generally, and had nothing to do with the Buy America provisions of the act.

That has given rise to some confusion. I know there have been those who have seen the study, seen the fact that it was estimated that there would be new jobs in the cement area, and have assumed that was because of the Buy America provision. That is just incorrect.

Senator SYMMS. In other words, it is just because it is a bigger highway program is what you are saying.

Mr. BENNIN. Yes, sir.

Senator SYMMS. Of course, that could leave room there fcr isolated cases where there was close-by Canadian or Mexican manufacturers that could affect that, in an isolated area. But overall the cement industry is doing well right now.

Mr. DENNIN. Yes.

Senator SYMMS. Senator Chafee, did you have any questions?

Senator CHAFEE. Thank you, Mr. Chairman.

Ambassador Lighthizer, in the testimony of Mr. Cianchette, he says, "Canadian produced cement was delivered into Maine last month by Canadian truckers and sold 100 miles from the border for 64 U.S. dollars per ton. In St. Stephens, NB, 100 miles closer to Quebec where the cement is manufactured, the price Canadian cement users are paying is about 80 U.S. dollars per ton. I understand the price in Quebec City, where the cement is manufactured, is 67½ U.S. dollars per ton."

In other words, they delivered way down in Maine for 64 dollars a ton and they sell up there for 80, and in Quebec City, where it is produced, it is 67.50 U.S. dollars per ton. This seems to me a case of dumping. If indeed it is, are there remedies in U.S. law for such a situation?

Ambassador LIGHTHIZER. Yes, Senator, there are. There are dumping statutes. I might say that my understanding is that the cement industry has used the unfair trade statutes as much as any other industry in America. If that, in fact, is a case of dumping, there are statutes that would provide for an offsetting duty to even the scale, unrelated to the buy America provisions.

Senator CHAFEE. So if these facts, which I have no reason to dispute, since I don't know enough about it, are accurate, then the cement industry has a remedy route which is provided for under our law. What is that?

Ambassador LIGHTHIZER. If in fact they are selling below the value of the product, and if in fact they are injuring American industry, then they would file an antidumping petition, and there is a procedure that would be followed by the Department of Commerce.

I might say this administration has really, in my opinion at least, done an outstanding job of enforcing those statutes and has enforced them in more antidumping situations than any other administration in history. It is reasonable to think that would be taken care of.

Mr. DENNIN. If I could add one point on that, there was an antidumping investigation involving that case, or one very similar to that, from Canada in which the Customs Service, which had authority at that time, did investigate and did find that there was dumping of a certain margin. But the International Trade Commission made a negative injury determination. The domestic petitioner at that point challenged the ITC's finding in court but ultimately lost the case. So while it could well be true there is that sort of apparent dumping going on without a finding of injury, it wouldn't be legally addressable.

Senator MITCHELL. The dumping doesn't become apparent because there was no injury. What they found in fact, did they not, is the dumping did occur and there was no injury?

Mr. DENNIN. Yes, Senator. My understanding of the term of art is that to be legally dumping you had to have both, the below cost sales and injury.

Senator MITCHELL. All right. Under the law.

Senator CHAFEE. Mr. Lighthizer, we are dealing here, of course, with Federal highways and the question of buy American. Are there Buy America statutes in some of our States as they pertain to State-built highways, State-financed highways?

Ambassador LIGHTHIZER. Yes, there are, Senator. In fact, there are Buy America provisions in about half of our States right now as well as certain Federal buy America provisions that apply to cement in others on Federal construction projects currently to existence.

Senator CHAFEE. Thank you.

Thank you, Mr. Chairman.

Senator SYMMS. Thank you, Senator Chafee.

I may have some more questions that I will submit in writing in order to save time. Senator Mitchell has a couple more questions he would like to ask at this time, Senator Mitchell.

Senator MITCHELL. If I could, Mr. Dennin, since we got into the question of dumping and injury, in 1978, the ITC in fact found that the Canadians were selling their cement for less than fair value, but then found in a split decision that there was no injury.

Mr. DENNIN. The Customs Service found the former part of that equation, Senator. The ITC found the latter, yes.

Senator MITCHELL. Isn't it true that under the law the injury must be national in scope, so if you have a regional effect or even an effect in one or two States, that it might not be considered sufficient to justify a remedy?

Mr. DENNIN. In that case, as I said, Senator, the petitioner challenged that finding, took the case to court and lost on that particular ground.

Senator MITCHELL. I understand. But let's assume for purposes of this discussion that Mr. Cianchette's testimony is true, and there is no reason to doubt it, and it does turn out that the only cement plant in New England is subject to dumping in both the layman's terms and the legal terms; that is, it includes injury. Would that be a sufficient basis to have injury determined nationwide by the ITC?

Mr. DENNIN. I don't know, Senator. I would defer to the ITC on the injury determination.

Senator MITCHELL. One thing I would like to ask then, Mr. Dennin, is that you mentioned in your testimony some figures about increases in cement sales, the demand for cement. You talked about a rebounding industry.

As we all know, whether something is going up or down depends upon the benchmark you use. Of course, you acknowledged that you took a very low point in the cement industry's fortunes from which you have measured whatever increase has occurred. I would ask you to submit for the record, and I assume these are readily available so I don't want to impose any large burden on you, figures on employment, production, consumption in the cement industry in the domestic industry, sales over the past 20 years.

Mr. DENNIN. I assume they are readily available for the past 20 years. I know they go back for the past 10 years, and I have them. (See p. 61.)

Senator Mitchell. To the extent they are readily available. I think you will find a very sharp and steep decline over a long period of time, and citing this as a rebounding, healthy industry by measuring a very small blip may present a less than accurate picture.

I would also like to ask, if you have the figures, if they can be regional as well as national, to the extent that they exist.

It is my understaning, Mr. Dennin, and I would like to have you correct me if I am wrong, and other witnesses will testify, Canada imposes severe restrictions on the use of U.S. cement in that country, and in fact that Canada expressly excluded its Department of Transport, which is a major source of construction contracts, from the Bilateral Procurement Code. Is that true? If so, is it unfair to the U.S. cement industry under these circumstances?

Mr. Dennin. It is my understanding, Senator, that the Government of Canada imposes no buy Canadian requirements on cement on federally funded highway construction in Canada.

Senator Mitchell. What about provinces?

Mr. Dennin. There are a number of provincial restrictions, as there are U.S. State provisions.

Senator Mitchell. So you don't know, I guess is what your answer is, as to the assertion that Canada expressly excluded its Department of Transport from the Bilateral Procurement Code.

Ambassador Lighthizer. Yes, Senator, they did exclude their Transportation Department, as did the United States.

Senator Mitchell. I just wanted to clarify that one point that arose earlier so there is no misunderstanding.

Am I not correct, Mr. Lighthizer, that the U.S. action with respect to steel was taken under the escape clause of our trade laws?

Ambassador Lighthizer. That is correct.

Senator Mitchell. That Canada retaliated by imposing a surtax on U.S. specialty steel exports?

Ambassador Lighthizer. That is correct.

Senator Mitchell. Indeed, in fact, Europe retaliated at the same time, did they not?

Ambassador Lighthizer. Approximately the same time, that is right.

Senator Mitchell. Subsequently, we eliminated the Buy America provisions on cement; isn't that correct?

Ambassador Lighthizer. That is correct. The Congress did that, yes, sir.

Senator Mitchell. You then talked to the Canadians about that, and as a result of those discussions Canada dropped the surtax on U.S. specialty steel exports which it had previously imposed; isn't that correct?

Ambassador Lighthizer. That is correct, Senator.

Senator Chafee. Are you through?

Senator Mitchell. Go ahead.

Senator Chafee. Are you through, Senator Mitchell?

Senator Mitchell. No, go ahead, John. Then maybe it will give me time to think of something else.

Senator Chafee. I don't want to do that. We will be here until midnight.

Either Mr. Dennin or Mr. Leathers can answer this. I have noticed, without making a detailed survey in my State, that several cement plants have closed. Is it a fact that in recent years many northern cement plants have moved to the Sun Belt? That is first, have some of them closed and indeed moved? Second, have imports played a major role in that, or what has been the factor that has caused either the closure or the moves?

Mr. DENNIN. I will start with that, Senator Chafee. Imports no doubt have contributed to decisions to close a few plants since the early seventies, but there were many other factors which we believe were more important.

As I said in my testimony, many of the plants were older and less efficient and they would have closed eventually or they would have required large capital expenditures to modernize, including fuel conversion to change from wet to a dry process. Also, there are costs associated with EPA air pollution control standards. We believe these factors probably had a greater effect on plant closing than imports. Also, the changing geographic demand patterns and the drying up of raw material sources, for example limestone, we believe were very significant factors in the shift that you spoke of from one area of the country to the other.

Senator CHAFEE. Is the cement industry a capital-intensive industry or is it a labor-intensive industry, Mr. Dennin?

Mr. DENNIN. It is a very capital-intensive industry in terms of the modernization that is required now and the lead time required to have the kinds of efficient plants that do exist in Canada and some of the newer plants in Mexico and in the newer areas of development in the United States. In that sense it is a very capital-intensive industry, Senator.

Senator CHAFEE. Have spot shortages developed in some regions of the country, to your knowledge?

Mr. DENNIN. Yes, Senator, in the past but not presently.

Senator CHAFEE. Which have created problems for Ready-Mix concrete companies?

Mr. DENNIN. Yes, Senator. And there is a concern, I believe, and I know you will be hearing from representatives of the industry who can certainly speak to this with more authority than I, that there will be shortages in the not-too-distant future, and that is one of the reasons why imports have been viewed very favorably by many of the processors and the users of cement as being necessary. There is concern that there will not be a sufficient domestic supply of cement in this country in the next year or so.

Senator CHAFEE. Finally, Mr. Lighthizer, in connection with the removal of the Buy American provisions from the law, the provisions that were inserted in late 1980 by the House, let me just say that those provisions were inserted contrary to a definite agreement that we had with the House.

Second, we sought to remove the entire Buy American provisions. As a matter of fact, we sought to restore the law exactly to what the agreement was that we had made with the House.

Furthermore, can I say that I thought the support I received from the administration in trying to remove those provisions was tepid. That is being generous. I know that you indicated some fringe support, but you were not as heartily involved with the effort as I would have like to have seen.

As for the Highway Administration, your efforts were minimal.

So anybody that suggests from this podium that you were hip deep in this and exerted heroic efforts would be overly generous.

Senator Mitchell. I bet you when he talked to the Canadians he didn't describe his efforts as tepid.

Senator Chafee. Maybe he did. If he got something out of it, that is a true bargainer. I am glad you got the specialty steel efforts, I didn't know when they put their restrictions on the specialty steel. Was that in answer to something we had done with steel in another area?

Ambassador Lighthizer. Yes, sir.

Senator Chafe. But I thought the Canadians were entitled to lower the boom on us in every way as a result of what we did, or did not do, but what was done in that Highway Act in 1980. But the efforts that were made to remove those provisions were based on two grounds. One, to respect the integrity of an agreement which we entered into with the House which they breached, and second, to provide a source of material at a lower cost so we could build more highways in the United States. Plus, a third one, which was against the whole philosophy of the buy American provisions, which had been creeping into our laws in a host of ways and which inevitably invited retaliation.

So I don't want Senator Mitchell to cover you with too many kudos, Mr. Lighthizer.

Senator Symms. After that comment, Senator, I am almost afraid to yield back over here to Judge Mitchell. I hope you will keep it short and submit questions so we can move on.

Senator Mitchell. I will do that, Senator. You have been very courteous in holding these hearings. I won't impose on your courtesy.

I just will say, Mr. Dennin, so there is no misunderstanding, the dumping law does allow relief for regional injury. The question is whether a single plant in a single State, even though it is the only one in a region, qualifies as regional under the law. That is really the question.

You see, Mr. Leathers acknowledged in his testimony the distinction. You can just look at page 2 of his statement where he said, and I quote, "While there could be regional impact, it is unlikely that imported cement used in a program would have significant national impact." That is the problem of referring to the trade law. And even the regional impact question is ambiguous at this point.

I will just make one further comment. I did have several additional questions, but I will submit them in writing so that we can get on with the other witnesses.

I must say that the administration's concern for the feelings of Canadians is a very welcome development. I would suggest to you follows that you could do a lot, you could make the Canadians feel really good on something that is really important to them if you reversed the administration's position on the need to control acid rain. That really does bother the Canadians. That is an important matter. I hope that in the new spirit of friendship which is being displayed here or concern for Canadian feelings that that is taken into account as well.

Senator Chafe. That is a tremendous extension of the duties that Mr. Lighthizer also has.

Senator Mitchell. You see, he did so well on this thing here. He parlayed your action on cement into the steel thing. I think there is no limit to what he can accomplish.

Senator Chafe. Mr. Chairman, I made a mistake. I was talking about December 1980. It should have been 1982. I apologize. If I could correct the record.

Second, I would like entered into the record the December 23, 1982, Congressional Record statements that were made at the time dealing with this very issue of the problem with the House of Representatives, and in this colloquy Senators Stafford, Randolph, Domenici, Moynihan, and myself participated.

Senator Symms. Without objection, it will be made part of our record.

[The information follows:]

[From the Congressional Record, Dec. 23, 1982]

SENATE

BUY AMERICA

Mr. Chafee. I would like to clarify with the leadership of the Committee on Environment and Public Works, and with other conferees on title I of H.R. 6211, the conference provision dealing with buy-America requirements.

The agreement among conferees was very clearly to continue with one exception, the provisions of current law as contained in title IV of the Surface Transportation Assistance Act of 1978, Public Law 95–599. Do my colleagues agree?

Mr. Stafford. The Senator is correct.

Mr. Randolph. The Senator is correct.

Mr. Domenici. That was the agreement.

Mr. Moynihan. The Senator is absolutely correct.

Mr Chafee. The one change that was agreed to was to increase, for highway projects only, from 10 to 25 percent, the price differential needed before foreign materials, rather than American, could be used on a project. All the other provisions of existing law, including the administrative interpretations consistent with current law, were to remain undisturbed.

Exemptions from the Buy-America requirement for projects costing less than $500,000 are to be continued.

The requirement that products used must be substantially all from articles, materials, and supplies made in the United States is retained in the conference agreement.

The administrative interpretations of these provisions are not overturned by the conference agreement.

Do my colleagues agree that I have correctly described the conference agreement?

Mr. Stafford. Yes, the Senator from Rhode Island is correct.

Mr. Randolph. Yes, I agree. The only change was to increase from 10 percent to 25 percent the price differential applied to materials for highways.

Mr. Domenici. The Senator's description is correct.

Mr. Moynihan The Senator from Rhode Island's description is totally correct.

Mr. Chafee. I thank my colleagues.

Mr. MOYNIHAN. Mr. President, will the Senator yield? May I, on behalf of this side of the aisle and the distinguished chairman state that the Senator from Rhode Island has stated exactly what my understanding of our agreement was.

Mr. CHAFEE. That is what the agreement was with the House and the conference.

Senator SYMMS. I thank my colleagues. I think that all of the people in the audience can see that we have two very distinguished and very knowledgeable Senators up here this afternoon. I am just a farm boy from Idaho, so what I want to do is I want to move this hearing on to the next set of witnesses so we can get this accomplished. There may be more questions for the hearing record submitted to each of the three of you.

I thank all of you very much for your being here this afternoon to help us with this hearing. We will dismiss these three witnesses.

The next panel is Mr. Ival Cianchette, Mr. Robert Kizer, Mr. John Piecuch, and Mr. William Mason. If you four would please come forward. We will start with Mr. Cianchette.

I think Senator Mitchell may want to make a comment. I know that Mr. Cianchette is a constitutent of Senator Mitchell's.

We welcome all four of you here to this hearing this afternoon. Your entire statements will be made a part of the record. We will go through and have each witness make their statement and then have a round of questions.

Senator MITCHELL. I just want to say to all four of the witnesses, when the chairman starts this farm boy routine from Idaho, you better be ready. Hang on tight.

Mr. Chairman, it is my pleasure to welcome Ival Cianchette, who is the chairman of the board of the Cianbro Corp. It is a large construction firm located in Maine which operates throughout the eastern part of the United States. Mr. Cianchette is one of our State's most highly respected business leaders. He also is a personal friend of mine of long standing. It is a real pleasure for me to welcome him here today.

He is also, I might add, a former national president of the Associated General Contractors, where he served just recently with great distinction.

Senator SYMMS. Thank you very much, Senator.

Mr. Cianchette, welcome to the committee. Please go right ahead.

STATEMENT OF IVAL R. CIANCHETTE, CHAIRMAN, CIANBRO CORP.

Mr. CIANCHETTE. Thank you. Thank you, Chairman Symms, for inviting me to appear before this committee.

I want to thank Senator Mitchell for his efforts in getting this issue brought before you. I personally appreciate it very much.

My name is Ival Cianchette. I am chairman of Cianbro Corp., a highway, heavy and industrial contracting firm working in the eastern United States, with headquarters in Pittsfield, ME, and branch offices in Washington, DC; Greensboro, NC; and Tampa, FL. We presently have about 1,500 employees.

In addition to general construction, Cianbro also operates Ready-Mix concrete plants in the State of Maine. For many years Cianbro's major supplier of cement to these Ready-Mix plants has been a cement manufacturing facility operated by Martin-Marietta Corp., located at Thomaston, ME.

In early December 1982, Martin-Marietta announced that the Thomaston cement plant would cease production and close permanently on March 7, 1983. The major reason given by Martin-Marietta for the closing of this plant was Canadian competition in the Northeast and particularly in the Boston area. The Thomaston, ME, plant is the only cement producing facility located in New England. Cianbro Corp. purchased this facility from Martin-Marietta on March 7, 1983.

Our involvement in the construction industry and our ownership of 10 Ready-Mix plants in the State of Maine gave us great concern over the fact that this facility would be closed and our only source of supply would be from New York or Pennsylvania or from Canadian producers. The Surface Transportation Assistance Act of 1982 was a reality when we made our decision to purchase the plant in March 1983 and the market protection created by the Buy American clause was a major influencing factor in our decision to purchase that plant.

In the first year of our operation, March 8, 1983 to March 7, 1984, we produced less than 200,000 tons of cement, or about 40 percent of the plant's capacity of 470,000 tons per year.

The highway industry in the Northeast has just begun to feel the effects of the 5-cent Federal tax increase and the additional 5-cent State tax increase in Maine that became effective in April 1983. We had an increase of approximately 30 percent in cement sales for the month of March 1984 over March 1983. Much of that increase was tracked by our people to suppliers of concrete and concrete products to the highway industry.

On March 9, the day of the signing of the 6-month interstate cost estimate when the Buy American clause for cement was excluded, we were negotiating with a large importer of cement in Florida, who is presently using approximately 600,000 tons of Spanish cement annually and who apparently needed a domestic supplier because of the Buy American provision in the 1982 act. Needless to say, these negotiations have ceased at this time.

This contract, if it had come to be, would have required the construction of a cement loading facility on the Maine coast and would have guaranteed full year-round utilization of the Thomaston facility. In addition, it would have created a need for domestic marine shipping, an industry that certainly has surplus capacity, instead of foreign vessel delivery as it is now.

All of these things would contribute to the acceleration of the economic recovery and the creation of more job opportunities within the United States, a purpose clearly stated many times as a major reason for the inclusion of the Buy American clause in the 1982 act.

There are many who will present testimony here who are much more knowledgeable than I am of the effects of this legislation on the overall domestic cement industry. I would like to address only the two issues that we, as the newest member of the cement producing industry in the United States, view as most important. These issues are the results of the recent action by the Congress in eliminating the Buy American provision for cement from the highway bill.

One, it is totally unfair to a company such as ours which is attempting to save an industry so vital to the local area and its economy only to have the rules changed for no apparent reason or stated reason a few months after they were put in place.

Two, this unfairness is compounded by the different requirements by which the Canadian companies can compete in the U.S. cement market compared to the Canadian requirements on U.S. firms. There is no reciprocity. The Canadian firms can compete in the U.S. market with no restrictions whatsoever, including participation in the Federal highway tax dollars paid by firms such as mine, which, incidentally, will pay this year an estimated $160,000 in highway fuel tax alone for company-owned vehicles.

To further explain the unfairness of the present situation, let me explain that Canadian-produced cement was delivered into Maine last month by Canadian truckers and sold 100 miles from the border for 64 U.S. dollars per ton. In St. Stephens, New Brunswick, 100 miles closer to Quebec, where the cement is manufactured, the price Canadian cement users are paying is about 80 U.S. dollars per ton. I understand the price in Quebec City, where the cement is manufactured, is 67½ U.S. dollars per ton.

Let me state if we had not purchased the plant in 1983 and the plant had been closed, I would expect that the cement price in Maine today, particularly in the northern part of the State today and in some of the northern locations, would be at least $80.

It is not possible for us to ship cement into Canada to be used on any Federal or provincial financed construction project because of restrictive "Buy Canada" procurement rules. We are excluded as a practical matter not only from their highway projects but also from furnishing materials to any of their public works projects by virtue of these restrictive Canadian preference rules.

I firmly believe that the major issue facing this body is reciprocity and fairness, and in order that the objectives of the inclusion of the Buy American clause in the 1982 act, which was acceleration of the U.S. economic recovery and the preservation and creation of U.S. jobs, be fulfilled, I respectfully request that you return the Buy American clause to the highway legislation as it was in the 1982 act.

I do not feel that H.R. 5504 dealing with Canadian and Mexican imports alone is sufficient. It seems only fair and right that at least until such time as domestic investors have had an opportunity to recover from the recent recession, and the U.S. economy is healthy and we have full employment, and restrictive Canadian trade barriers are removed, that the law as established in the 1982 act should be reinstated.

Again, thank you, Senator, for allowing us to appear before you.

Senator SYMMS. Thank you very much.

Mr. Kizer.

Mr. KIZER. My name is Robert Kizer.

Senator CHAFEE. Mr. Chairman, I have a problem in that I have to leave practically momentarily. I wonder if it would be possible for me to ask Mr. Cianchette a couple of questions.

Senator SYMMS. Yes; you may. I want to ask one quick question just for our edification. When you are talking about these prices, are you talking about bags of cement or Ready-Mix?

Mr. CIANCHETTE. I am talking about cement, bulk cement.

Senator SYMMS. But cement that you use to make Ready-Mix.

Mr. CIANCHETTE. Not concrete. Cement is one ingredient in concrete. The raw material cement. Manufactured cement.

Senator CHAFEE. Mr. Cianchette, I am not going to argue with your second point, about the Canadian situation, because we have had some testimony about that. But I would like to discuss your first point on page 3 of your testimony: "It is totally unfair to a company such as ours * * * to have the rules changed * * *."

Is it not so that you had made arrangements to purchase this plant before the Buy American provisions were even inserted into the Transportation Act in late December?

Mr. CIANCHETTE. No, sir; that is not so.

Senator CHAFEE. You can correct me; I may be inaccurate; I have here a December 24, 1982, article from the Portland Press Herald, "Cianbro Corp. May Purchase Cement Plant." It says:

> Cianbro Corp., the State's largest construction company, said Thursday it has signed an option and letter of intent for purchase of the Martin-Marietta cement plant in Thomaston. Ival Cianchette, chairman of Cianbro, said.

It goes on:

> He is optimistic the purchase will go through, setting its chances at better than 50-50. He said there will still be "some weeks" of study and negotiation before a decision is made. A purchase price has been agreed upon.

Then it talks about:

> The study and negotiations will center on how the sprawling plant can be operated at a profit. One possibility, he said, is operating the plant on a seasonal basis.

And so forth and so on.

Then you recount how a Martin-Marietta cement official from Bethesda, MD, headquarters called sometime before, presumably, because this was December 24. You said, "No one I know of knew it was coming," namely the closure of the plant. It says:

> The Cianbro chairman said he and his four brothers, owners of Cianbro, began almost immediately to think about purchasing the plant.

Mr. CIANCHETTE. That is correct.

Senator CHAFEE. That is all before the Buy American provisions were even brought forward.

Mr. CIANCHETTE. That is correct. We got the call from them on the 9th of December. We did not make the final decision about the plant until March. We were in negotiations, that is correct.

Senator CHAFEE. Yes, on the price, on other deals. But I have a little trouble reading this article and equating it with your statement that you went into it primarily because the market protection created by the Buy American clause was a major influencing factor. According to this article, you indicated even beforey ou knew, and the thing passed in the late afternoon of December 23, and that same day, a Thursday, you had made your decision to purchase the plant. The purchase price has been agreed upon, you said, but you would not disclose the amount.

Mr. CIANCHETTE. I think the purchase price, if we ought to exercise our option. But we had not at that time agreed to exercise our option.

Senator CHAFEE. I appreciate that.

Mr. CIANCHETTE. We were in negotiations, though, we absolutely were. But we did not make the decision until after the 1982 act was signed sometime in January.

Senator CHAFEE. So you stick by your statement that the——

Mr. CIANCHETTE. By the truth, sir. We were negotiating for it, but we did not purchase the plant or did not make a final agreement to purchase until a later date.

Senator CHAFEE. Thank you.

Senator SYMMS. Thank you, Senator Chafee.

Senator CHAFEE. Let me just say, Mr. Cianchette, I have been by your plant many times. Maybe it is not making money, but it is a lovely location.

Mr. CIANCHETTE. Yes. The whole coast of Maine is lovely.

Senator CHAFEE. Thank you very much.

Senator SYMMS. Thank you very much, Senator Chafee.

STATEMENT OF ROBERT KIZER, PRESIDENT AND CHIEF OPERATING OFFICER, LONE STAR INDUSTRIES

Mr. KIZER. My name is Robert Kizer. I am president and chief operating officer for Lone Star Industries. Lone Star is a manufacturer of Portland cement throughout the United States. We operate 17 Portland cement plants.

I appreciate this opportunity to be here today. This hearing addresses an issue of vital consequence to workers and companies that constitute the American cement industry; namely, whether Federal highway funds will be used to create jobs and revenue in this country or for workers and companies in foreign countries.

Lone Star Industries urges this committee to answer that question in favor of an important American industry that has been weakened profoundly in the last several years.

As we shall demonstrate, inclusion of cement in the Buy American bill is appropriate and necessary for two reasons. First, such action will preserve American jobs. The Commerce Department has stated that Buy American legislation created or preserved over 1,600 jobs in the domestic cement industry. In fact, a central purpose of the nickel-a-gallon gasoline tax was to create jobs in the United States.

Without Buy American protection, American cement workers and their families will suffer the sad consequences of unemployment. In addition, the U.S. cement industry, which is needed for 90 percent of our construction activity in this country, would be rewarded with another economic setback following a devastating 4½-year depression.

Cement imports have steadily and substantially contributed to the weakened state of the U.S. cement industry. In fact, the industry operated at only 60 percent of capacity in 1982, resulting in massive layoffs. In addition, imports contributed to some 28 plant closings in our industry since 1977, resulting in thousands of lost jobs.

These plant closings dramatically reflect the difficulties of the cement industry in this country.

Just in the last few months, Lone Star was forced to sell its Catskills, NY, cement plant to a Canadian producer because of the import weakened cement markets in New England and New York. In fact, the State of New York is a good example of our shrinking domestic industry. Not many years ago there were seven plants throughout the State producing cement. Today there are just three. I believe that if the import trend continues, these three may not survive. And New York is just one example.

It is quite feasible, therefore, that major regions of the country may soon rely entirely on imported cement, a product essential to construction and national defense.

The impact of imports on cement industry earnings in the last several years is striking. Earnings are well below those achieved in other major manufacturing industries.

Second, reinstatement of Buy American protection for cement is appropriate in light of Canada's own domestic restrictions on U.S. cement. If American cement producers cannot compete freely in Canada because of the pervasive buy Canadian programs at the national and provincial levels, why should we let the Canadians disrupt our markets and take our jobs and revenue from us?

Until Canada eliminates its preference for domestic cement, the United States should not unilaterally eliminate its own minimal protection. Moreover, restoration of the Buy American provision could provide the U.S. Trade Representative with a useful bargaining chip in negotiating with the Canadians to get relief for cement.

The argument against the Buy America provision, that the curtailment if imports would lead to shortages in this country, is baseless. The U.S. cement industry is operating at only 75 percent of capacity. Therefore, there is ample capacity to satisfy increasing demand. Besides, the Buy American requirement will not eliminate imports by any means. It would only restrict the use of foreign cement in the federally funded highway projects, a relatively small portion of the overall market.

Furthermore, the statute already contains provisions to waiver the restrictions on imports should spot shortages occur, an unlikely possibility.

When Congress enacted the nickel-a-gallon gas tax in 1982, it adopted a stringent Buy American requirement, wick expressly protected steel, cement, and manufactured products. The sponsors cf the bill wanted to ensure that the jobs we are creating today will remain among the taxpayers who are financing the program."

On the recommendation of the Senate, however, cement was deleted from that requirement in March of this year. In our opinion, the the deletion did not reflect a judgment on the merits of such protection. Rather, the cement industry suffered because Senate conferees for the 1982 act believed that cement had been including in the statute by error.

We hope that procedural dispute is behind us, and Lone Star is grateful that this committee is at last examining the merits of Buy American protection for cement. Frankly, the people who work in the U.S. cement industry have experienced tremendous hardships and they should not be a pawn in a House-Senate dispute over semantics.

We also want to go on record to express our preferences for the original wording in the Buy American bill which made no distinctions as to the origin of the foreign cement.

But we are also realists and will take what help we can get. We are confident that this hearing will lead the Senate to the decision to reinstate Buy American protection for a vital industry that this country needs.

Thank you.

Senator SYMMS. Thank you very much, Mr. Kizer.

We will now hear from John Piecuch. John.

STATEMENT OF JOHN PIECUCH, PRESIDENT, CEMENT DIVISION, NATIONAL GYPSUM CO.

Mr. PIECUCH. Good afternoon. My name is John Piecuch and I am president of National Gypsum Co.'s Cement Division. As the largest manufacturer of cement in the Midwest United States and one of the largest producers in the mid-Atlantic region of this country, we welcome the subcommittee's hearing on the merits of a Buy American provision for cement used in federally financed highway projects. The reinstatement of a Buy American provision means a great deal to our economic health and international competitiveness.

Specifically, we believe there are a number of very important reasons why the Buy American provision for cement should be reinstated.

First, a reinstatement of Buy America protection for cement is appropriate in view of other countries' own domestic procurement preferences and the impact of these preferences on American producers. For example, as pointed out in an International Trade Administration report, "Government Procurement Opportunities—Canada," preferences are maintained at both the Federal and provincial levels. These preferences are enforced through statutory policies and the administration of the tendering process. Of particular relevance is Canada's exclusion of its Department of Transport from the United States-Canadian agreement on Government procurement which bans discrimination, since the department is a major source of construction contracts. In our experience, these Buy Canada preferences have effectively, excluded the cement division from even bidding for contracts. Our experience is supported by national import and export statistics which show imports from Canada at levels 15 times the level of exports from the United States into Canada.

We have also experienced other difficulties in trying to do business in Canada. In 1983, we attempted to establish a bulk cement marketing operation in Canada. As a first step, we formally requested authority for two truck carriers, one Canadian and one American to haul our cement. Our request was denied by the Ontario Highway Transport Board.

After considering the testimony of Canadian cement producers, the board advised us to use a Canadian trucker who is the principal hauler of a major Canadian cement company, a totally impossible operating condition, particularly in a new marketing area.

The aggressive promotion of Buy Canada preferences by Canadian political leaders is based on a belief that they are important to the economic health of Canada and, therefore, need to be maintained. As you know, reciprocity is the fundamental principle upon which our bilateral and multilateral trade relationships are built. The recent repeal of the Buy America provision for cement undermines reciprocity and unilaterally disarms our trade negotiators. Reinstatement is necessary if meaningful negotiations to reduce trade barriers are to be initiated. Otherwise our company and other U.S. cement producers in the same position will continue to be stymied by Buy Canada preferences.

While I do have a prepared text, I want to go off the prepared text for a minute and comment on the earlier speakers in the first group who accurately noted the restrictions on the sale of our cement in Canada, but, unfortunately, I did not hear anything they were working on to remove these restrictions so that everybody would have equal access to each other's markets, which is the whole issue of reciprocity.

Second, the Buy America provision for cement should be reinstated because of its positive economic impacts. Denial of Buy America protection for cement is not consistent with a central purpose of the nickel-a-gallon gas tax: The creation of jobs. Specifically, the gas tax is generating enough highway construction to use 2½ million additional tons of cement annually. This additional consumption is a very positive economic factor in an industry operating at less than 80 percent of capacity, and in particular, in the Great Lakes areas, where capacity utilization is now estimated at only 70 percent.

The U.S. Department of Commerce indicated the act would create and save over 1,600 jobs in the cement industry. In our Great Lakes operations alone, we have approximately 200 employees on indefinite layoff today. To these jobs referenced by the Commerce Department must be added jobs directly related to our industry in total. For example, the cement division has approximately 2,000 suppliers, many of whom are dependent on our business. All these jobs assume a greater significance when viewed from the perspective that most cement plants, like ours, are located in less densely populated areas and are, in many instances, a significant economic stimulant in the community.

The reinstatement of Buy America for cement can make a meaningful difference. In the last few months, over 50,000 tons of Canadian and Spanish cement have been contracted for use in federally funded highway projects in our Wisconsin and Minnesota markets alone. This additional tonnage would have been an important stimulant to us and our employees.

Third, my testimony would not be complete without addressing the erroneous and misleading assertion that Buy America protection will cause shortages of cement. Adequate supplies are available.

Last year, Canadian cement companies requested exemptions in Michigan and New York from the Buy America provision citing insufficient supplies of domestic cement. After analyzing these claims, their relevant state regulatory agencies found that supplies of domestic cement were more than adequate, discounted any unfavorable price impacts and denied the Canadian requests.

It is also absurd to suggest that foreign producers will stop shipping to this country because of the Buy America provision. Indeed, foreign cement imports increased during the period in which the Buy America provision was in effect.

The highway paving market is a highly competitive market for cement. We view it as a means to increase plant utilization, and we compete with many domestic producers. We are not aware of any shortages and our cement prices have actually declined for this type of work in the last year.

Finally, it is important to understand that these assertions come from Canadian cement producers which have significantly expanded their capacity beyond realistic consumption levels. In their own domestic markets, where capacity utilization is comparable or in some cases below the U.S. levels, prices are actually higher than in adjacent U.S. markets. High prices in Canada should serve as a warning for U.S. cement consumers, particularly those using Federal funds.

After reviewing these facts, we believe that the only fair way to resolve this issue on its merits is to reinstate Buy America protection for cement.

If I could go off my prepared text for a second, in reference to some of the comments I heard earlier, specifically about the fact that imports represent only a small percentage of the market nationally. I think it should be well understood that cement is indeed a very regional business and on a regional basis imports are very significant. In the Midwest area they represent over 15 percent of the market today. We estimate they will very quickly exceed 20 percent, which is a substantial and significant amount.

Another figure I heard was that imports only represented 6 percent of cement consumption. At least through the figures that I have from the Bureau of Mines, through the first 5 months of this year, they were almost 8.5 percent nationally. In the first 5 months of the year, cement consumption, because of weather conditions, is historically low. Because it actually picks up as the weather improves and more construction starts up, imports could reach a level approaching 10 percent on a national basis this year.

Another point I would like to make concerns the comments about the performance of the cement industry. While I am not really qualified to talk about the performance of the industry in general, as a former stock market analyst, I can tell you that the stock market doesn't think much of the prospects of the industry, at least at this particular time, a viewpoint which is contradictory to the earlier comments.

Senator SYMMS. What is the percentage of the cement the National Gypsum Co. would produce that goes to highways and what goes to other forms of construction?

Mr. PIECUCH. That is a tough question to answer, but I will do my best. We estimate that, for example, in 1983, we shipped over 100,000 tons of cement directly to highway pavers on federally funded jobs. At the same time, through Ready-Mix operators, and other producers that would be supplying products to the federally financed highway program, we estimate another couple 100,000 tons. So we are talking somewhere around 300,000-plus tons that is directly involved with federally financed or assisted construction activity.

Senator SYMMS. Your regional point is that primarily because of the fact that cement in terms of some items is a low-cost item, that the transportation cost and other costs become very instrumental in whether or not you can afford to transport it, to compete with somebody else. Like Maine has been affected more than, say, Arkansas?

Mr. PIECUCH. And the Midwest has been impacted because our market is on water and you are able to ship cement by water cheaper than by rail or by truck. Proximity to imports is a key factor.

Senator SYMMS. Thank you very much.

Let's hear from our last witness, Mr. William Mason, who is the international representative of the International Brotherhood of Boilermakers, representing the Cement Worker lodges in New England and the Eastern United States.

STATEMENT OF WILLIAM MASON, INTERNATIONAL REPRESENTATIVE, INTERNATIONAL BROTHERHOOD OF BOILERMAKERS

Mr. Mason. Thank you. My name is William Mason. I am a representative of the International Brotherhood of Boilermakers—Cement, Lime, Gypsum, and Allied Division. I have been a representative for 18 years. Previous to that, I worked at the Martin-Marietta cement plant in Martinsburg, WV, for 30 years.

Our union represents 72 percent of the 22,400 production and maintenance employees working in Portland cement-producing plants in the United States. I am here today to report the adverse effects that imported cement has had on the cement industry and our members.

I would like to specifically talk about the effects imported cement has had on the cement industry and cement workers in New England and the eastern United States. At one time in our history the States of Pennsylvania and New York were considered the cement capitals of the country. Back in the 1940's, when I worked in the industry, the State of Pennsylvania had 19 gray clinker-producing and grinding plants located primarily in the Lehigh Valley. These plants provided employment for thousands of workers and provided economic stability for many communities throughout eastern Pennsylvania. Today there are only seven cement plants in Pennsylvania, and many of those communities are suffering economic blight.

The same is true for the State of New York, which at one time had 11 cement clinker-producing and grinding plants. Today only four plants remain.

I am not claiming that imports alone have been the reason for the decline in cement plants and employment in these two States. But it has been a contributing factor, and it will become the major factor for domestic cement plant closure unless something is done.

For the year 1983, cement imports represented 4.24 million tons or approximately 6 percent of the total U.S. market. This figure represented a 43-percent increase in cement imports over 1982. Although these may not seem like high figures, a closer review will show a concentration of imports in certain markets.

For example, Canadian cement companies are the leading foreign importers of cement. In 1982, 73 percent of all Canadian cement imports came into the New York-New England district. That represented 28 percent of total consumption in that district. I can assure you that that level of imports has had a tremendously adverse impact on domestic cement production throughout the Eastern United States.

It is not getting any better as the U.S. Department of the Interior, Bureau of Mines, just recently reported that as of May 1984, total imports have increased 115 percent when compared to May 1983. Unless something is done, this trend will continue to grow and eventually destroy yet another basic industry in the United States.

It is for these reasons that our local lodges located in New England and the Eastern United States strongly urge Congress to include the Buy American requirements for cement in the Surface Transportation Assistance Act. In taking this action, Congress will be promoting one of our Nation's basic industries, fighting cement work unemployment and assuring the availability of cement at reasonable prices to private as well as public users.

I thank you for allowing me to testify before this committee. If I may, I have a prepared statement from another one of our representatives that primarily works in the South and Southwestern area of the United States. That is from Mr. Joe Swain.

Senator SYMMS. How long is his statement?

Mr. MASON. About the same as mine.

Senator SYMMS. Without objection, it will be part of the record. [See p. 98.]

Mr. **Mason**. Thank you very much.

Senator **Symms**. Is the name on the statement?

Mr. **Mason**. Yes.

Senator **Symms**. He is from the Southwestern United States?

Mr. **Mason**. Right. It deals with the Mexican imports and the closure of plants and the buying and facilities in that area.

Senator **Symms**. Thank you very much. I want to thank all of you personally for your interest and testimony here today. I may have some more questions which I will submit in writing.

At this time I would like to yield to Senator Mitchell.

Senator **Mitchell**. I would like to ask Mr. Kizer or Mr. Piecuch if you could describe instances in which you have attempted to sell cement to Canadian Government projects. What happened?

Mr. **Piecuch**. I don't know if I want to bore you because we could probably spend the whole afternoon on this subject.

Senator **Mitchell**. Don't do that. But you can summarize it.

Mr. **Piecuch**. We sell limited amounts of cement in Canada now. We are stymied from marketing and selling more cement because of those restrictions which prevent us from being able to adequately represent ourselves in the market. If we are excluded from a major proportion of the market, which is the situation today, it makes our job that much tougher to enter as a foreign producer and market our product, even for jobs that are commercially or residentially related, because of the concerns of the local purchasers of cement. They feel that we may leave at any time or be squeezed out because there is not enough volume in just the commercial or residential activity to support or warrant our necessary capital expenditures.

Senator **Mitchell**. Mr. Kizer, what about trying to sell cement in Mexico?

Mr. **Kizer**. Our experience was that when the Mexican economy was very strong and the petroleum industry in Mexico was in short supply of oil well cement, they welcomed us. As soon as the economy in Mexico changed, all of our imports into Mexico were shut off.

Senator **Mitchell**. Does the Mexican Government provide energy subsidies to its cement producers?

Mr. **Kizer**. Yes. The subsidies are very substantial. In fact, it is our understanding and our estimate that they subsidize their cement producers on fuel to the extent of $20 a barrel of oil that they need to use in making cement.

Senator **Mitchell**. I have a number of other questions as well, Mr. Chairman, but I will submit them in writing. I thank you all very much for your testimony. It has been extremely helpful.

Mr. **Kizer**. Thank you.

Senator **Symms**. Thank you, Senator Mitchell. I don't want you to feel under any pressure here.

I thank all of you very much for your testimony. It has been very enlightening.

Senator **Mitchell**. Mr. Chairman, could I ask that the people who just testified stay here because it is very likely that the people who are on the next panel will make statements that are inconsistent with what is made here. We may want to get some comment from them.

Senator **Symms**. It would certainly be a good suggestion, I think.

Senator Chafee has asked me to insert in the record a telegram he just received on behalf of seven locals of the Longshoremen's Association from Mr. E.L. Slaughter from Duluth, MN, which does take a differing point of view. I would ask unanimous consent that be added to the record.

[The telegram follows:]

[Telegram]

DULUTH, MN, *August 1, 1984.*

Hon. JOHN H. CHAFEE,
U.S. Senator, Dirksen Senate Office Building,
Washington, DC.

On behalf of 7 locals of International Longshoremen's Association in Duluth, MN, and Superior, WI, vicinity, we urge that foreign-made cement be excluded (repeat—excluded) from Buy America restrictions in federally aided highway construction. Imported cement provides ship for exports cargo. New cement terminal owned by Canadian in port of Duluth provides new tonnage and new jobs for maritime industry, while also assuring competitive prices for regional construction projects.

E. L. SLAUGHTER,
International Vice President,
International Longshoremen's Association, Duluth, MN.

Senator SYMMS. Our last panel is Mr. Edward P. Curtis, Jr., member of the board of directors of Lake Ontario Cement, Ltd., representing the Canadian cement industry; Mr. Richard Burgess, C.J. Burgess, Inc., representing the New York State Associated General Contractors and the Empire State Concrete and Aggregate Products Association; and Mr. E. Del Smith, Washington representative, Port of Long Beach, CA.

If those three gentlemen would please come to the table. We will now hear from Mr. Curtis first.

Mr. Curtis, welcome to the committee. We look forward to hearing what you have to say.

STATEMENT OF EDWARD P. CURTIS, JR., MEMBER, BOARD OF DIRECTORS, LAKE ONTARIO CEMENT, LTD., REPRESENTING CANADIAN CEMENT INDUSTRY

Mr. CURTIS. Thank you, Chairman Symms. We deeply appreciate the invitation which you extended to us to be here.

Mr. Chairman, members of the subcommittee, I am Edward P. Curtis, Jr., president of Genesee Public Affairs, Inc., of Rochester, NY, and since 1974 a director of Lake Ontario Cement Ltd. of Toronto, Canada.

I appreciate the opportunity to appear today on behalf of substantially all of the Canadian cement industry to describe the beneficial effects of the continued availability of Canadian cement for use in federally aided highway construction.

A list of the cement companies I am speaking for today is attached to my statement. Some of these companies may be submitting additional individual comments for the record.

The Canadian cement industry is comprised of eight companies operating 22 plants, employing approximately 2,600 production workers who, in large part, are represented by either the International Brotherhood of Boilermakers—Cement, Lime, Gypsum, and Allied Division, or the United Steelworkers of America, or the International Union of Operating Engineers.

In 1983, the Canadian cement industry purchased approximately $21 million of U.S. coal, paid U.S. companies about $14 million to transport cement, and spent some $11 million for U.S.-produced equipment and supplies. Additionally, the industry's capital investment in the United States amounted to more than $33 million in 1983.

Of the 4.2 million tons of cement and clinker imported by the United States in 1983, Canadian production accounted for approximately one-half. It is our best estimate roughly 10 to 15 percent of those imports were used in federally assisted highway construction.

Mr. Chairman, my statement is a very long one. If I may, I would like to summarize the balance of it and then be able to go on to the fellow panelists.

In the balance of my prepared statement we touch on the waiver provisions in the act. We stress that all waiver requests that were made were denied by either State or Federal Governments. We also review the Buy American repeal effort which was finally successful on March 9, 1984.

Let me take this opportunity to thank the committee members, particularly Senator Chafee, for a timely action which served to maintain longstanding market patterns, preclude substantially increased costs in highway construction, and in all probability avoid a ripple effect of rising prices throughout the ready-mix concrete and construction industry.

We go on in the statement to discuss the role of imported cement and to stress what I think is obvious. When demand is up, imports go up. When demand is down, imports go down. We also discuss some added effects of Buy America that go beyond highway jobs. I want to particularly cite for the committee two of these. First of all, the separate silo effect.

Typically, a ready-mix concrete operator will have one or more plants, with a cement silo, a sand and gravel pit, a water supply and a fleet of ready-mix trucks. He will buy cement from a number of different suppliers and store it all in the same silo.

Buy America restrictions would force ready-mix operators to segregate Canadian from U.S. cement. This leaves the operator with three choices. He may build another silo. The capital outlay required prevents most operators from doing this. He may stop bidding on highway projects. Or he can stop importing Canadian cement. If this most likely option is chosen by the majority of operators, the supply/demand balance beyond mere highway construction will be drastically altered.

In addition to the separate silo effect, we also encounter the situation, in western New York especially, where many municipalities, architects, engineers, and construction authorities will write into their job bids: "All materials must meet New York State Department of Transportation specifications." If these specs include "Buy American," we are obviously barred from a much broader market than merely highway construction.

In my statement I also talk about market structure and the shift of the domestic industry from New York and New England to the Sun Belt in the 1970's. As a result, the Northeast has become substantially dependent on Canadian cement imports, which now amount to 70 to 75 percent of the total supply in western New York and over 90 percent, for instance, in the State of Vermont.

Finally, we discuss the job impacts of "Buy American" and show that at the maximum, less than 100 production jobs would be affected, assuming no increase in demand. In today's expanding market, we doubt seriously there would be any impact at all.

I thank you for the opportunity to appear. I would be happy to take questions now or after my fellow panelists have testified.

Senator SYMMS. Thank you very much, Mr. Curtis.

I think it is worthy to note that the United States and Canada has such friendly relations we can have a Canadian come down here, or are you a Canadian?

Mr. CURTIS. Sir, I am a U.S. citizen by birth and 54 years standing.

Senator SYMMS. OK.

Senator MITCHELL. But the principle is accurate.

Senator SYMMS. I noticed he is a member of the board of directors of Lake Ontario Cement. So I thought that was possible.

Mr. CURTIS. Excuse me, Senator. I hope the record does not reflect I am chairman of the board of Lake Ontario Cement because the chairman is going to be very unhappy. I am a director.

Senator SYMMS. Just a member of the board, OK. Thank you.

Mr. Burgess.

STATEMENT OF RICHARD BURGESS, REPRESENTING THE NEW YORK STATE ASSOCIATED GENERAL CONTRACTORS AND THE EMPIRE STATE CONCRETE & AGGREGATE PRODUCTS ASSOCIATION

Mr. BURGESS. Chairman Symms, Senator Mitchell, I am Richard J. Burgess, of Canajoharie, NY. I appear before you today with a broad background in the construction industry and considerable experience in the purchasing of aggregate and cement for the production of concrete for private and public construction clients, particularly in the Mohawk Valley region of New York State. I appear to present the views of the New York State chapter of the Associated General Contractors and the Empire State Concrete & Aggregate Producers Association.

I am president of the C.J. Burgess & Co., Inc., of Canajoharie, NY, which has been in business for over 50 years as a general contractor, building commercial, industrial, and institutional projects both in the private and public sectors. As a general contractor I am a member of the New York State building chapter of the Associated General Contractors of America. I currently serve as the building chapter senior vice president and am chairman of the AGC of America's Concrete Industry Relations Committee.

Until recently I was also president of the Mohawk Valley Concrete Co., Inc., a ready-mix concrete supplier in the Mohawk Valley region. As a concrete supplier I served as president of the Empire State Concrete & Aggregate Producers Association, a statewide organization in New York State representing both large and small concrete producers in the State.

I want to emphasize that both the New York State building chapter of the Associated General Contractors and the Empire State Concrete & Aggregate Producers Association formally went on record opposing the "Buy American Cement" provision of the Surface Transportation Assistance Act and urged New York State to obtain a waiver from those provisions.

Cement is a major and basic construction product. Its availability and price have a significant impact on the construction industry. Without a stable cement market, the entire construction industry is adversely affected. Unless we have a competitive marketplace generating reasonable and stable prices, costs will rise and supplies will be dependent on the whim of those few who could control the marketplace in any particular area.

Over the years the Canadian cement industry has become a major supplier of cement in western and central New York because it could provide the needs of the industry in a timely fashion, in adequate amounts, and at a fair price. I feel that if the "Buy American Cement" provisions of the original Surface Transportation Assistance Act or similar terms are reinstated, all that could change. The impact on the highway and building construction industry would be significant. Also, the economic impact on the small, independent concrete producers would be considerable.

The average small concrete industry member operates with one cement storage silo, and a "Buy American" provision would force him to either make another large investment for plant equipment or purchase only domestically manufactured cement for all of his business. This in effect could force the Canadians out of the marketplace and cause increased costs for the industry.

It is difficult enough in this day and age for building contractors, owners, designers, and developers to make a project go. If the cost and supply of such a basic construction ingredient as cement should become questionable, New York's effort to generate economic development could be harmed.

I do not feel that it would be in the best public interest to change the Surface Transportation Act and restrict the use of cement to that domestically manufactured.

As an attachment to my statement I would like to provide the New York State building chapter, AGC's May 1983 letter to the New York State DOT commissioner endorsing a waiver request by him from the "Buy American Cement" requirement in the original Surface Transportation Act.

Thank you.

Senator SYMMS. Thank you very much.

[The attachment follows:]

GENERAL BUILDING CONTRACTORS,
ASSOCIATED GENERAL CONTRACTORS OF AMERICA,
Albany, NY, May 13, 1983.

Mr. JAMES L. LAROCCA,
Commissioner, New York State Department of Transportation, State Campus, Albany, NY.

DEAR COMMISSIONER LAROCCA: The General Building Contractors of New York State, which is the New York State Building Chapter of the Associated General Contractors of America, writes to you today in support of the various requests that have been made of you to seek a waiver from the U.S. Department of Transportation of the Buy American provisions as they apply to cement to be used in construction projects financed by the Federal Surface Transportation Act of 1982. The GBC/AGC is a statewide association of general building contractors engaged in the vast majority of the public and private commercial, institutional, and industrial construction. Our Members build for the several state agencies to include DOT.

The policy of this Association has been to strongly oppose the imposition of any "Buy American" requirements on any federal, state or local public work. Our general position on this matter is outlined in the enclosed memo we have used several times in the past to encourage Governor Carey to veto Buy American steel legislation. The issue of cement doesn't change the position. Indeed, it only reinforces it. It is important that the public relations hysteria surrounding the steel issue not confuse the cement issue. The steel market in the construction industry has always been dominated by American and indeed New York steel manufacturers. OGS' experience with the provisions of Section 146 of the State Finance Law only prove that. See our memo to the Governor of May 11, 1983.

Cement, however, is a completely different matter. As a major and basic construction product its impact on the construction industry is significant. Without a stable cement market, all private and public construction is impacted. Without a competitive marketplace generating reasonable and stable prices costs will rise, and supply will depend on the whim of those who control the marketplace. Over the years the Canadian cement industry has become a major supplier of cement in Western and Central New York because it could provide in a timely fashion, in adequate amounts and at a fair price the needs of the industry. The Buy American provisions of the above federal law could change all that. The impact on highway construction work would be significant in our opinion, but it would not stop there. Since the Canadians would probably be forced out of the marketplace, all other construction users in Central and Western New York would be impacted. It is difficult enough in this day and age for building contractors, owners, designers, developers and the like to make a project go. If the cost and supply of such a basic construction ingredient as cement should become questionable, the State's effort to generate economic development would be harmed.

We believe a stable cement marketplace under competitive and responsible conditions is in the best interest of all New Yorkers. One only need witness the activities of various federal, state and local investigative agencies in certain regions of the state to understand what impact competitive conditions have on the marketplace when it comes to the supply of concrete products.

For all these reasons, we urge you to request a waiver to allow the use of Canadian cement on transportation projects financed by the Federal Surface Transportation Act of 1982.

Sincerely,

JEFFREY J. GOGG,
Director of Governmental Affairs.

Senator SYMMS. Mr. Smith.

STATEMENT OF E. DEL SMITH, WASHINGTON REPRESENTATIVE, PORT OF LONG BEACH, CA

Mr. SMITH. Thank you, Mr. Chairman. After listening to Ambassador Lighthizer's statement, I think that this is a good point in such a case as that.

Mr. Chairman, I am Del Smith, Washington representative of the Port of Long Beach. As one point of background, the port is the largest port on the west coast of the United States, having handled over 53 million tons of cargo during the fiscal year completed this past June 30. Using formulas provided by the Department of Commerce, the port is responsible for 150,000 direct jobs in the southern California market area and an additional 50,000 indirect jobs. That is the port.

Our involvement with imported cement began in early 1978. At that time, the port conducted an exhaustive supply-and-demand study as part of an environmental impact report. The results of that study supported a long-term demand for cement in the southwestern United States. This trend finding was based on historic shipment patterns from southern California, the availability of efficient and accessible modes of transportation within the region, and the comparative proximity of southern California cement sources to market destinations.

Our study reported an excess demand above local production capacity, both existing and planned. This study was corroborated by the fact that during this same period, southern California cement manufacturers themselves imported over 1 million tons of cement and clinker. By the way, this importation is from Spain and Korea.

Our study concluded that market demand was strong enough so that importation of cement would not displace domestic cement industry employment in the Southwest region.

Based upon that forecast and demand and current cement imports, the port invested approximately $17 million to construct a bulk importation terminal and signed a long-term lease for its use with Pacific Coast Cement Corp. The terminal was built using the best available control technology for protection of the environment with a capacity to handle 600,000 tons of cement annually.

Mr. Chairman, the projections and predictions of cement demand contained in our environmental impact report have all proven true. In its first year of operation, fiscal year 1981–82, the terminal imported 121,000 tons of cement. During this past fiscal year, 221,000 tons of cement were handled.

Meanwhile, based on statistics published by the Bureau of Mines, southern California cement manufacturers have produced their product at full effective capacity for the last 15 months. Yet, during 1984, the production of these manufacturers is estimated to have a shortfall of 500,000 tons under the demand. As the economy continues to improve, this inability to keep up with cement demand will obviously increase.

The Port of Long Beach thrives on fair and free trade. It survives on a two-way street of imports and exports. The jobs generated by the port have a significant impact on the regional economy as well as a ripple effect over the country, and it should be kept in mind, Mr. Chairman, that California has the seventh largest economy in the world.

The protectionist legislation before this committee today also has a ripple effect which is counterproductive to all that I have just reported. The most obvious, of course, is similar restrictive actions by our trading partners. Less obvious, perhaps, is the tendency of local Ready-Mix suppliers that are providing cement for highway projects under Buy America restrictions not to purchase imported cement at all because of problems in handling separate inventories, the silo effect.

Mr. Chairman, it is obvious that the Port of Long Beach and the economy of a good piece of the United States would be adversely impacted by this proposed legislation. Again, Long Beach is the largest west coast port. One-tenth of the U.S. population is in California and a preponderance of that is within 60 miles of our wharves. This is our marketplace and there is room and proven demand for imported cement in that marketplace. Protectionist legislation aimed at such a specific underpinning of our economy should not be, I respectfully submit, especially since in our part of the world cement demand cannot be fully met by domestic sources.

Mr. Chairman, I thank the committee.

Senator SYMMS. Thank you very much. I would like to ask a couple questions about prices. I referred to it earlier with what transportation costs. How much of cement costs are transportation? What do you have to pay for cement, Mr. Burgess?

Mr. **Burgess.** Senator Symm, as the moment, as I mentioned in my testimony, I am not in the Ready-Mix business, in the past year. I could not give you that. I think probably Ed could give you up-to-date pricing on cement.

You are referring to the ingredient cement?

Senator **Symms.** Yes. Maybe Mr. Cianchette would like to answer. You were talking about prices in Canada versus New England. What is the price of cement up there now? If there is a shortage in California, is it impossible to make cement in your Maine plant and ship it to California?

Mr. **Cianchette.** To answer the second question first, I guess transportation-wise, if it gets on the water, it comes in from Korea to California, certainly it could go from Maine to California.

Senator **Symms.** That is what I was thinking.

Mr. **Cianchette.** Then we have a problem with American shipping. That is a different story.

Senator **Symms.** Sit up there at the mike, if you would like to.

Mr. **Cianchette.** As far as the price of cement, I think it varies around the country, depending on the marketplace, but it probably is in the range of $55 a ton to maybe $85 a ton. I am really not familiar with the total countrywide market. But I believe it is in that range.

Senator **Symms.** You say it is important that you buy Canadian cement in western New York.

Mr. **Burgess.** Yes, sir. Let me make one comment, Mr. Chairman. Of course, as you realize, in the past several years, the construction industry and the cement industry has been in recession, so supply has not been a big problem. But 10 to 12 years ago when there were a lot more cement plants in New York State, it was difficult, if not impossible, for the producers, and I am talking about our Ready-Mix producers, to purchase approved New York State Department of Transportation cement. We could not buy it.

The reason we could not buy it was that the New York State Department of Transportation construction and design specifications contained a domestic materials clause which would not allow us to use imported cement. The problem was so serious that finally they had to revoke the clause. At that time, the nondomestic cement producers came in and they met the demand and they took care of the construction in our area. Without their rescue at that time, we would have had a serious financial and economic problem in central and western New York State. So it is critical to us that we have this stable supply. Without it, we cannot regulate our own business.

Senator **Symms.** What is the freight rate from Maine to western New York? I am trying to figure out why you couldn't get some of that western New York market. Do you ship the cement you manufacture anywhere other than just locally?

Mr. **Cianchette.** Cement is a very heavy commodity. After it gets so far on land transportation, it gets very expensive, whether by rail or truck. Once it gets on water transportation, it is very inexpensive. So from the Maine coast, we can ship to any place that we can get to by water, which could be the Hudson River, New York, or it could be in Florida or could be on the west coast.

Senator **Symms.** Then that plant does have a distribution capability to export cement?

Mr. CIANCHETTE. We do. I don't know if we could, from our plant, get cement to Mr. Burgess' particular area, but we do have the capability. We will have the capability eventually to put it on water and send it anywhere that can be served by water.

Senator SYMMS. Is it true, though, you sold the distribution center, or do you have other capabilities?

Mr. CIANCHETTE. A distribution center? There was a distribution center in Massachusetts, Wilmington I believe, that went with that cement plant. That was one of the reasons for the failure of Martin-Marietta's operation because the cost of transporting cement by rail to that cement plant and passing it through that plant, loading it in trucks and delivering into Boston, where the major market was, was more expensive than it was to haul it directly from the plant to Boston, and much more expensive than transporting by water from Maine to Boston.

We did sell that. I believe in my mind that was one of the reasons for the failure of Martin-Marietta's operation.

Senator SYMMS. Senator Mitchell.

Senator MITCHELL. Thank you, Mr. Chairman.

Mr. Burgess, you made a comment about the conditions in New York and that there was a New York State provision which you said because of conditions 12 years ago or so had to be dropped?

Mr. BURGESS. There was a domestic materials clause in the specifications on the New York State Department of Transportation jobs, and the domestic material clause was removed because we just could not get cement and other products.

Senator MITCHELL. Because of supply.

Mr. BURGESS. That is right.

Senator MITCHELL. That is 12 years ago. You are aware, are you not, that last year a request was made to the State department of transportation to petition the Federal Highway Administration for a waiver of the Buy America provisions and that the New York State Department of Transportation in September 1983—and I don't know what geographic area is covered by this application; we have a big file back here and we are trying to find that out; I am advised it is New York State—denied the petition to request a waiver because it said waivers can only be granted where there is evidence that adequacy and availability of domestic supply is insufficient? The department's evaluation of the records shows that these conditions were not met.

Mr. CURTIS. If I could respond to that for a moment. Senator, we were very strongly a part of that request to New York State, as were many of our customers in western New York. There was a major hearing in Albany in June of last year at which we all testified. The final ruling I believe came down in September 1983.

Mr. MITCHELL. That is right.

Mr. CURTIS. I think New York State's position at that point, at that stage of the game, 9 months after the time of our request, 6 months at the point of the hearing, there had not yet been a proven damage or a proven inadequacy of supply. We were willing to grant that while we were beginning to feel the impact in our own operations, the situation had not yet tightened up to that degree. We were saying that we anticipated that this was what was going to happen. I am delighted to say we didn't have to wait to see whether or not that happened since the provision was in fact repealed.

Senator Mitchell. But my only point was that the situation that existed in New York State within the past few months, and here is the hearing record so it is a very thorough analysis, is much more relevant to current considerations than whatever may have been the case a dozen years ago as described by Mr. Burgess, that was my only point, in his support for his opposition to the Buy America provision, as he testified, and he cited a circumstance that existed regarding the lack of domestic supply in New York State 12 years ago under a different statute. My only point was whatever interest that may have for us, it is less relevant to the current circumstance and the issue here than a very thorough investigation and decision made less than 1 year ago in New York State.

Mr. Curtis. Could I also point out, though, Senator, at the time that decision was rendered, New York State and indeed the cement and concrete industry as a whole was coming out of the worst recession in 20 years as far as the industry was concerned. So from 1982 to 1983, it would be unlikely that there would have been much impact because there was indeed considerable unused capacity.

Senator Mitchell. Right. I understand that. Indeed, I made the very point earlier to Mr. Dennin in response to his figures purporting to show an increase by comparison between 1983 and 1982.

Mr. Burgess, you heard Mr. Curtis testify that 75 percent of the cement supplied to western New York is from Canada, and his written statement says in Vermont it is between 90 and 100 percent. You cite in your testimony the importance of cement in this industry and, indeed, to this country. Are you uneasy at all about the fact that significant sections of the United States are almost wholly dependent upon a foreign country? We are very good friends with the Canadians, but it is still a foreign country. Would you be uneasy if there was no cement industry in the United States and we were 100 percent dependent on foreign countries for cement?

Mr. Burgess. No, Senator. I think basically the construction industry is a highly competitive one. When we bid a job, 50 cents a yard or 25 cents a yard on concrete, it does mean getting a job and losing a job. Should the Canadians be unable to produce it, we no doubt would buy cement even at double the price from Mr. Cianchette. He, like anybody else, for a price will ship cement. But I am talking about an industry that is highly competitive and we have to look for the best stable price we can get.

Senator Mitchell. You don't feel he accounts for it.

Mr. Burgess. That is right. They have proven they could take care of our industry in that section of New York State. When I was in the cement business, all of my cement came from distribution points within 150 miles.

Senator Mitchell. My point is, Mr. Burgess, though, if in a few years there is no American industry, if Mr. Cianchette's plant has to close and others, there isn't going to be anybody else to provide you with that, other than Canadian producers.

Mr. Burgess. I don't know. I don't think the Canadians would be shipping to the center of the country. They would have the same problem we would have.

Senator Mitchell. If Mr. Smith is getting it from Spain and Korea to California, you don't think the Canadians can ship into the center of this country?

Mr. Curtis. If I could, Senator, because this point has come up several times, Mr. Cianchette is quite right. The economics of shipping cement by water are extremely good, which is why the whole Great Lakes area is basically a natural market for both the United States and Canadian cement plants that border the Great Lakes. When you put it on a truck, your economical trucking radius is 100, perhaps maximum 150, miles from your actual cement plant. So beyond that, it becomes extremenly uneconomical to ship except by water.

It would be, I think, extremely difficult for the Canadians, for instance, to ship into Arkansas or Kentucky, Tennessee, the Southeast, what have you. We do find that in the interior States surrounding the Great Lakes, along the New England and Canadian border, and perhaps one tier of States south, the economical factors are there.

Senator Mitchell. Mr. Curtis, how many Canadian highway projects use U.S. cement?

Mr. Curtis. I haven't the faintest idea, Senator.

Senator Mitchell. Would you be surprised if it were none?

Mr. Curtis. Very much so.

Senator Mitchell. Would you be surprised if it was next to none?

Mr. Curtis. I know that Medusa, a Michigan-based company, is in fact prequalified by Ontario as a supplier of cement.

Senator Mitchell. Has the Canadian state industry urged the Canadian Federal or provincial governments to remove "Buy Canada" provisions in their laws and to not implement them where they exist?

Mr. Curtis. I am glad you asked that question. In point of fact, a week after the Congress put in Buy America provisions, in January 1983, we received a call from Mr. Cartwright, director, Supply and Services Branch of the Ontario Ministry of Transportation and Communications. He pointed out bids were about too be let on twinning the Burlington Bridge, which you may have driven past on your way to Toronto, and asking our opinion and the Canadian cement industry's as to whether buy Canadian restrictions ought to be put on that bridge.

I would like to enter for the record, if I could, the response of Jake Fowler, president and chief executive officer of Lake Ontario, who said:

> Although we deeply regret the Buy America provision of the above Act, we are aware that it is not an Administration policy and our company does not feel its best long-term interests would be served at this time by retaliating and specifying that only Canadian cement must be used in Ontario government projects such as the Burlington Bridge.

We and others export significant quantities of cement to the United States and we strongly feel free trade across our respective borders is in both of our countrys' best interests.

[The letter follows:]

Lake Ontario Cement Limited,
Toronto, ON, January 27, 1983.

Mr. Robert J. Cartwright,
Director, Supply & Services Branch, Ministry of Transportation and Communications, 1201 Wilson Avenue, Downsview, Ontario.

Dear Mr. Cartwright: This will confirm our discussion on Wednesday, January 26th, when you kindly requested my opinion as to whether cement requirements for the Burlington bridge should be specified as Canadian manufactured.

You are aware that on January 6, 1983 President Reagan signed the Surface Transportation Act of 1982, a four year appropriation largely for construction of certain highways and for mass transportation projects in urban and rural areas. Within Title I, the "Highway Improvement Act of 1982", Section 169 provides a Buy America provision which requires that funds may not be obligated by the Secretary of Transportation under the STAA of 1982, or any other highway or mass transit statute, for projects unless steel, cement, and manufactured products used in such projects are produced in the U.S.A. We understand that the manufactured products provision has been waived.

Although we deeply regret the Buy America provision of the above Act, we are aware that it is not an Administration policy and our Company does not feel that its best long-term interest would be served at this time by retaliating and specifying that only Canadian cement must be used in Ontario Government projects such as the Burlington bridge. We, and the other three cement manufacturers in Ontario, export significant quantities of clinker and cement to the U.S.A. (1,110,000 tonnes exported to the U.S.A. in 1981 at a value of about $60 million—total consumption in Ontario in 1981 was 2,530,000 tonnes) and we strongly feel that free trade across our respective borders is in both of our countries best interest.

Yours very truly,

J.D. FOWLER,
President & Chief Executive Officer.

Senator MITCHELL. I am glad you did that. I would only comment you seem to be about as effective in removing Buy Canadian from the Canadian Government as the American cement producers are in putting Buy America into the American laws.

Mr. CURTIS In fairness, Senator, I think there has been some exaggeration of what Canadian policy and practice actually is, at least according to the information we have. I do not believe the Federal or provincial governments are implementing the kind of massive restrictions that have been suggested here.

Senator SYMMS. I want to ask one question relating to this. Do you have any customers in the United States that are also cement producers? Like Lone Star, for example, who has testified here, or any that come to mind, that actually produce cement in the United States but buy it from other countries.

Mr. CURTIS. There are indications or examples, certainly, Senator, of Canadian cement companies selling clinker to U.S. companies for grinding into cement. Whether my own company has done that or not I simply don't know. I could get the information for the record if it would be useful.

Senator SYMMS. I think it would be helpful if we knew. It is a question maybe I should ask some of the cement producers, if they actually in fact end up in a situation where they are short of cement and have to buy it from Mexico or Canada or Korea or wherever.

Mr. CURTIS. That certainly has existed in the past. I think it is maybe going to exist again.

Senator SYMMS. I want to thank all of the witnesses. I am going to turn the hearing over to Senator Chafee and Senator Mitchell because I have another meeting that I am already late for. So I thank all of you for being here. They will wrap up the hearing. Thank you all.

Senator CHAFEE [presiding]. Mr. Curtis, I would note for the record, perhaps you were here and earlier heard the testimony—this perhaps would be helpful also for Mr. Burgess—we had testimony from Mr. Dennin, Assistant Secretary for International Economic Policy of the Department of Commerce, who stated as follows:

> Imports represent a relatively small share of U.S. cement consumption. Import penetration has remained below 6 percent for the first 5 months of 1984.

So, Mr. Burgess, although Senator Mitchell clearly qualified his question as an if, if there are no other suppliers in the United States but foreigners, I don't think you have to toss and turn in any way tonight about that happening, at least immediately, because the total imports in the United States are so far only 6 percent.

I would ask you, in your testimony you talked about the effect of the single silo, small cement plant. Could you discuss that a little bit? That has come up previously. I think that is important to this.

Mr. BURGESS. Yes, Senator.

As a small producer, ready-mix concrete producer, we had a small plant and we had one silo to store our cement in. At that time we were using both Canadian cement and American cement and we could mix them. Chemically and so forth they all met the same specification.

Senator CHAFEE. Was this Mohawk Valley?

Mr. BURGESS. Mohawk Concrete Co. in the Mohawk Valley, yes, sir. So there was no problem in mixing the cement. As I say, this also gave us a supply with the Canadians and we had an industrial supply.

However, when they put the domestic clause in the New York State specifications, which is similar to the Buy America clause, we had a choice of either giving up our work that we had with New York State or not buying any cement from the Canadians, which naturally that is what we had to do. So we had to empty out the cement bins, put in only domestic cement, and therefore, for all of our private business, we used only domestic cement, so that we could continue with our State business.

Senator CHAFEE. Whereas the big fellows would be able to have separate silos for each.

Mr. BURGESS. Yes, sir. There are large producers that have more than one silo. But at the time I was president of the State association, it was made up of mostly small, family-owned companies. When you go through the companies in New York State, there aren't a lot of big operators such as you refer to.

Senator CHAFEE. So the effect of this is to mean that you are a small company and have but one silo and if you wish to bid on the New York State jobs, which apparently have a Buy America provision in them, you have to convert your total facility to American cement. Then I presume that when you attempt to bid on other jobs, the bigger fellow can beat you out because he has separate silos which would have, say, Canadian cement or mix it or some combination. Is that correct?

Mr. BURGESS. Yes, Senator. They would have an advantage because there were times when you could purchase Canadian cement cheaper. As I mentioned, 10 or 12 years ago it was very difficult. Our plants in New York State were working at capacity and they just could not take care of the supply, so that for private work we did have to raise our prices and it caused an increase in the construction costs; yes, sir.

Senator CHAFEE. And you lose out presumably on some jobs.

Mr. BURGESS. That is right.

Senator CHAFEE. Mr. Cianchette, I wonder if you could come back up to the table. I apologize that I had to leave.

As I understand it, your plant is the only cement plant located in New England. Is that correct?

Mr. CIANCHETTE. That is correct.

Senator CHAFEE What would you estimate to be the annual demand for cement throughout New England? Do you have any idea?

Mr. CIANCHETTE. It would only be an estimate. Throughout the whole New England area?

Senator CHAFEE. Yes.

Mr. CIANCHETTE. It would strictly be a guess. Maybe 3 million tons a year. But it may be more.

Senator CHAFEE. Don't they have to rely on some imports in New England or could they get it all out of your plant?

Mr. CIANCHETTE. No. New England gets most of it from New York State, Pennsylvania, and Canada. Our plant merely supplies northern New England, Maine, New Hampshire, and part of Massachusetts.

Senator CHAFEE. Did you sell your plant? Is your plant now owned by the Passamaquoddy Indians?

Mr. CIANCHETTE. They own part of the plant. It is strictly a financing arrangement. We have a 30-year lease on it. It was a sale leaseback, strictly for a financing arrangement.

Senator CHAFEE. You bought it and then sold it to them?

Mr. CIANCHETTE. We bought the plant, sold it to them, and leased it back immediately for 30 years. That is about as long as I need it, I think.

Senator CHAFEE. Pardon?

Mr. CIANCHETTE. That is long enough for me to worry about it.

Senator CHAFEE. Did you sell it for what you bought it?

Mr. CIANCHETTE. No. We sold it for more.

Senator CHAFEE. I like people that buy low and sell high. There is nothing wrong with that.

We have in the committee a statement from Blue Rock Industries, which is a company producing ready-mix concrete in Maine. You must be familiar with them. Are you?

Mr. CIANCHETTE. Yes, sir.

Senator CHAFEE. They have indicated that without imports, they believe their prices wouldn't be competitive, and they have indicated concern over whether a stable supply of cement would be assured.

You stress equity in your statement. Do you think equity would dictate that a company like Blue Rock should be prohibited from doing business with a Canadian cement company?

Mr. CIANCHETTE. No; I don't think they should be. We are addressing here I think the highway legislation, and I think it was the sense of the highway legislation that American cement would be used in the highway industry.

As for Blue Rock, I think people like them should be much more concerned if our plant did not exist at all. I think then they would have a real concern for both their supply and price. Because your State of Maine is up on the very end of the line. As far as any domestic production, if we were dependent particularly on domestic cement, it would have to come from Pennsylvania, New York. To get it to Maine, you are on the end of the line. If there did come a time when supply was a problem, that is when the most severe problems would be.

So it should be in the best interest of people like Blue Rock to keep the Thomaston cement plant in business. In fact, I think it is in the best interest of the whole country. Rather than the Canadian production increasing and the U.S. production declining, that the interests of the United States would be much better served, rather than building an import terminal to import Korean cement, to build more cement plants in this country. I think we are going the other way when we are encouraging foreign imports and discouraging or in fact closing cement industries, which we have done since 1978. The Santa Barbara, west coast plant was built in 1978. Since that date there have been 28 cement plants closed in the United States. I think we would be much better served if those cement plants were still in existence and California were importing cement from the east coast rather than from Korea.

Senator CHAFEE. But isn't production up in the United States?

Mr. CIANCHETTE. Pardon?

Senator CHAFEE. Isn't production up in the United States?

Mr. CIANCHETTE. It is up over a disastrous period of time. But it is still, I think as has been stated here, something less than 80 percent of capacity.

Senator CHAFEE. Are there any other factors besides the recession and imports? If imports are only 6 percent, what is the trouble? I am, as is Senator Mitchell, on the Finance Committee, where we deal day after day with imports, quota problems, foreign trade matters. We are dealing with people like the motorcycle industry where they talk about 90 percent foreign sales in this country or the automobile industry at 33 percent or the machine tool industry at over 50 percent. But here we are talking 4 or 5 and less than 6 percent.

Is that the root cause of your problems or are we having the recession? Is it the design changes and the construction of buildings that is taking less cement than previously? I don't know about that. Help us out, would you?

Mr. CIANCHETTE. I dont' think so. I think the reverse would be true, probably. There is more cement used in the design of buildings than there was in the past.

The 6 percent means nothing to me. I am really not an expert on the U.S. domestic cement industry. I am very, very much a novice but getting to be an expert on the cement industry in Maine. That is about all I know anything about.

It is 6 percent of a very, very large industry. We are talking about hundreds of millions of tons of cement. You are talking about billions of dollars. So 6 percent of that, I don't know what that is. But there are people who would understand that better than I, Senator.

Senator MITCHELL. If I might interject, Senator, I think the problem, as discussed previously, is that the impact is regional and local in nature. It may be 6 percent nationally, but as Mr. Curtis stated, it is 75 percent in New York and 90 percent in Vermont.

Senator CHAFEE. Unfortunately, the law isn't written regionally. The attempts of those who would put in a Buy American provision would apply nationally. I presume that if this is such a serious situation as far as Maine roads go, it applies there. Does Maine have a Buy American provision?

Mr. CIANCHETTE. They do not have, to my knowledge.

Senator CHAFEE. Drop around and see your representatives. I am not urging success on you, but there is a place you might turn.

Mr. CIANCHETTE. Our interest goes beyond Maine, actually, and making that plant productive because its capacity is greater than the capacity for the State of Maine. It is the only cement plant in the States of New England.

You mentioned earlier they closed some plants in Rhode Island. I don't know, I don't now believe in the last 50 years, if ever, there was a cement plant in Rhode Island. To my knowledge, this is the only one that there ever was in New England, at least in the last three decades since I have been around. I think these are concerete plants maybe that were closed.

Senator CHAFEE. I get mixed up. You say you want your plant to be able to sell outside of New England.

Mr. CIANCHETTE. Yes, sir. We would be happy to sell it all in New England if there were the need for it.

Senator CHAFEE. Therefore, if it is economically feasible for you to make cement and sell it outside of New England, I suppose it works the other way around; it is economically feasible for somebody to make it in Pennsylvania and sell it in New England. Is that so?

Mr. CIANCHETTE. That is right. But they would have to have the facilities up there to deal with it.

Somebody mentioned earlier it is a very capital-intensive industry. The silo, the storage, I think the gentleman from California said costs $17 million, just a drop in the bucket to what a cement plant would cost. A cement plant similar to the one we have, if it could be sited today, but chances are it would never happen, in many years, would probably cost $120 to $140 million to build that facility.

Senator CHAFEE. Fine. Thank you very much, gentlemen.

Do you have any other questions?

Senator MITCHELL. No. I do have other questions, but in view of the hour, Mr. Chairman, I will submit them in writing.

Senator CHAFEE. If you want to stay, go ahead. I have to go now.

Senator MITCHELL. No. That is all right.

I did just want to make one comment.

Senator CHAFEE. Thank you all very much.

Senator MITCHELL [presiding]. You comment in your statement on the potential demand, that you need a supply to meet that demand. I merely want to point out, as I am sure you are aware, that the provision in the law provided that protection under Buy America would not apply if adequate supplies were not available. There is a specific provision in the law to deal with the situation which you described. I assume you are aware of that.

Mr. SMITH. Yes, Senator. Thank you.

Senator MITCHELL. The additional questions I have I will submit in writing. I thank you all very much.

Let me ask one more question, Mr. Curtis. You heard Mr. Cianchette testify about these prices up in Maine. A Canadian company based in Quebec sells cement in Quebec at $67.50 a ton, in St. Stephens for $80 a ton, and in Maine for $64 a ton. Do you have any knowledge of that? Why would that be?

Mr. CURTIS. Senator, I would have to say that sounds unlikely, but I cannot reply on that one directly. My particular company operates in western New York and Michigan. I will attempt, however, to get an answer for you from my colleagues in the Canadian cement industry.

Senator MITCHELL. I would appreciate that.

Thank you all very much.

[Whereupon, at 4:35 p.m., the subcommittee was recessed, to reconvene, subject to the call of the Chair.]

[Statements supplied for the record follow:]

STATEMENT OF
AMBASSADOR ROBERT E. LIGHTHIZER
DEPUTY UNITED STATES TRADE REPRESENTATIVE
BEFORE THE
TRANSPORTATION SUBCOMMITTEE OF THE
SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

AUGUST 1, 1984

I am pleased to have the opportunity to appear before this subcommittee to discuss the subject of proposed Buy America restrictions on cement procured with funds provided under the Surface Transportation Assistance Act. I take a personal interest in this issue having participated in the drafting of the Act while with the staff of the Senate Finance Committee.

The Administration applauds the actions which this Committee has taken to keep the Act free of Buy American cement restrictions. We strongly believe that such restrictions would be contrary to our national interest. More specifically, we believe that such restrictions would work to defeat the purposes of this important legislation while inviting countries adversely affected by this action, particularly Canada, to take retaliatory measures against U.S. exports.

As you know, the purpose of the Surface Transportation Assistance Act of 1982 is to reinvigorate our nation's transportation network. The addition of new Buy America restrictions to the Act would limit competition and make the materials used in this work more costly. Given limited funds, this could result in fewer highway miles being built or repaired.

Perhaps less obvious, but of equal importance, Buy America restrictions create pressure in other countries to take similar actions. This is a course which this country can ill afford as one of every eight U.S. manufacturing jobs and one of every three acres of agricultural production is accounted for by exports.

Placing things in perspective, Buy America restrictions might be a windfall but not a panacea for the cement industry. The federal-aid highway program accounts for only about 6 percent of domestic consumption of cement. Further, import penetration in this industry is, and has been, historically low. Looking at data for 1982, prior to the imposition of Buy America restrictions, imported cement captured less than 4 percent of the U.S. market. The difficulties of our domestic cement industry have been caused primarily by the recession induced slump in construction, not by imports. Therefore, the answer to these difficulties will be our improving economy, not narrow protectionist measures.

I have heard it argued that upwards of 1,000 jobs in the cement industry are dependent upon the adoption of Buy American restrictions. Our analysis, however, indicates that this is not the case. We estimate that the entire highway aid program could support a total of about 1,815 jobs in the cement industry. Assuming that the generally low level of import penetration for cement as a whole is reflective of the rate of import penetration for federal-aid highway construction, the Buy America restrictions would "save" only about 80 jobs, three tenths of a percent of total employment in the cement industry.

What must be kept in mind is that there would be a cost to this course of action. Assuming that it is correct that only 80 jobs would be affected, the cost of each of these jobs could range from $21,000 to $185,000 per job, depending on the impact of the Buy America restriction on overall cement prices for highway construction projects. The cost would hit the higher figure of $185,000 per job if the restrictions increased the average price of cement by only 5 percent. There would also be a cost in terms of U.S. jobs. The additional cost of cement will mean less money available for highway construction and repair, and result in fewer construction jobs as well as fewer jobs in the industries which supply materials for highway construction.

I know that some are arguing that Buy America restrictions are necessary to offset the unfair trade practices of other countries. I disagree. U.S. law already provides strong remedies for firms that have been injured by unfair trade practices such as government subsidization or dumping. For example, in a recent case Mexico was determined to be subsidizing its cement exports to the United States and a countervailing duty is now being levied to offset, in full, this subsidization. Buy America restrictions, however, would indiscriminately punish both fair and unfair trade.

I have also heard it argued that we should adopt Buy American cement restrictions because other countries, such as Canada, have their own Buy National policies. This would be a self defeating approach. When it comes to Buy National restrictions, no one is without sin. We have our Buy America Act and more than half of our states apply some form of Buy American or Buy State restrictions.

If we add to our present arsenal of Buy National restrictions, we will encourage others to do likewise -- to our detriment. We estimate, for instance, that about 20 percent of the goods purchased by the Canadian government come from the United States while, by our estimation, less than five percent of our total federal procurement comes from all foreign sources.

What's more, Canada has shown in this area that it recognizes that free trade is not a one way street. When Congress, at the initiative of this Committee, recently deleted the word cement from the Buy America provisions of the Act, Canada reciprocated by terminating a surtax applicable to imports of U.S. specialty steel. I am certain that the Canadian Government will rethink, and probably reverse, this action if we reimpose Buy America restrictions on cement.

The interests of this country lie in opening foreign procurement markets rather than in further restricting access to the U.S. market. In this connection, we are attempting to negotiate improved access to foreign procurement markets though an expansion of the international Government Procurement Code. Under the Code, we and our fellow signatories agreed to waive Buy National restrictions for a broad range of government purchases. The Code has opened important new market access opportunities to U.S. firms. However, its coverage is more limited than we would like at present. We are seeking to negotiate an expansion of the Code's coverage to include foreign government agencies which are major purchasers of products and services which are of great interest to U.S. exporters. For example, we are seeking to expand the Code to cover foreign government owned telecommunication, power generating and transportation agencies. Canada has been a strong ally in these efforts and has even proposed that we consider a bilateral agreement to open our respective procurement markets on a reciprocal basis.

Adoption of new Buy America restrictions on cement would be counterproductive to our efforts to gain improved access to foreign procurement markets. Aside from alienating an ally, adding new Buy National restrictions at the same time we are seeking to negotiate the elimination of such restrictions would seriously damage our credibility.

On balance, the costs of adopting this protectionist measure would far outweigh any benefits. Therefore, I urge you to continue to resist efforts to expand the Buy America provisions of the Surface Transportation Assistance Act.

STATEMENT OF
JOSEPH DENNIN
ASSISTANT SECRETARY FOR INTERNATIONAL ECONOMIC POLICY
UNITED STATES DEPARTMENT OF COMMERCE
BEFORE THE
TRANSPORTATION SUBCOMMITTEE OF THE
SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
AUGUST 1, 1984

Mr. Chairman and Members of the Subcommittee:

Thank you for the invitation to testify before you today. I appreciate the opportunity to explain why the Department of Commerce opposes enactment of Buy American restrictions on the use of foreign-made cement in Federally funded highway projects. In our view, the adoption of such restrictions would have strong negative effects on our multilateral and bilateral trading relationships.

Multilateral Implications

Efforts to achieve trade liberalization have taken on special significance in the past three years. During this period, U.S. exports have fallen victim to unforeseen, adverse trends in the global economy. Recessions in the economies of the developed countries, debt crises in the developing world, exchange rate disequilibria, as well as a variety of other macro-economic developments have all resulted in a contraction of overseas commercial opportunities for U.S. exports. These phenomena have also fueled protectionist sentiment throughout the world, which has in turn resulted in even further shrinkage in the global marketplace for U.S. exports. Against this background, U.S. government efforts to preserve and expand markets for U.S. exports have become especially important.

One of the major trade barriers handicapping U.S. exporters is discriminatory foreign government purchasing policies. Many foreign governments maintain informal or formal policies that establish artificial margins or absolute preferences in favor of domestic producers. Because of these measures, U.S. goods and services that are superior to their foreign competition in price, quality, or other aspects are denied sales they would otherwise capture.

For these reasons, one of the important trade objectives of the U.S. government has been to halt the spread of foreign buy national policies and negotiate the reduction of those in place. To support these efforts, we carefully monitor new buy national policies under consideration by foreign governments. As we learn of such initiatives, we press the appropriate governments to reject them. Similarly, our trading partners maintain careful scrutiny of our actions in this area. Thus, any new buy American restriction--such as that contemplated in the legislation we are reviewing today--is likely to prompt foreign retaliation. In addition, our power of persuasion and ability to apply pressure to dissuade other countries from heightening buy national barriers will be severely diminished if we enact new buy American restrictions of our own.

Besides attacking the outbreak of new buy national policies, we are undertaking efforts with our major trading partners to negotiate the reduction of existing buy national preferences. These efforts are focused in multilateral negotiations currently underway to expand and improve the GATT Agreement on Government Procurement. The adoption of the kind of restrictive measure we are discussing here today could undermine our credibility in this exercise as well.

The GATT Procurement Code, which became effective in 1981, binds signatories to accord non-discriminatory treatment to products from other signatories for those government purchases specified in the Agreement. Our monitoring efforts lead us to believe that, on balance, the Procurement Code has been an effective instrument in establishing and enforcing open procurement procedures in the areas it covers.

In November 1983 we began negotiations with the other signatories to expand and improve the Procurement Agreement by eliminating additional buy national preferences in key areas. We are seeking to place under the discipline of the Code sectors where U.S. producers are highly competitive, including government procurement of transportation, telecommunications, and heavy electrical equipment, and possibly services such as computer services and insurance. Open access to overseas opportunties in these areas is especially important if U.S. producers are to maintain their prominence in the high growth sectors of high-technology and services trade. Our negotiating partners will certainly question our commitment and interest in expanding Code coverage internationally if we enact new, more restrictive legislation at home.

Relationship with Canada

In addition to these multilateral considerations, there is also an important bilateral trade implication of the proposed measure. This measure would primarily affect Canada, since it is our largest foreign supplier of cement. Yet at the same time, Canada figures as the largest market for U.S. goods, and is, in fact, almost twice as large as the next largest market. In 1983, U.S. producers sold $38.2 billion worth of exports to Canada, some 19 percent of U.S. exports to the world. Enactment of the buy national provision for cement could very well jeopardize access to our largest overseas market.

As in any trading relationship, our dealings with Canada are, of course, not free of friction on either side. Clearly, there are some trade measures maintained by the Canadians that we find burdensome or unreasonable. On balance, however, the Canadian government over the past three years has displayed a constructive attitude to pursuing trade liberalization initiatives on both a bilateral and multilateral scale. Reinstatement of the cement buy

American provision, as proposed, is likely to reverse trade liberalizing measures already undertaken by the Canadians, as well as impede additional trade liberalizing steps by Canada. Moreover, it could well invite Canadian retaliation against U.S. export interests.

Effects on the Domestic Industry

Having discussed the likely negative effects of the proposed provision on U.S. export interests, I would like to turn briefly to its implications for our domestic industry. There is no question that the U.S. cement industry encountered severe economic hardship during the recent recession, with shipments of Portland cement reaching a lower level, 65 million tons in 1982, than in any of the prior recessions in the late 1960's and 1970's. However, the recovery of the economy is fueling a strong increase in demand for cement. The volume of shipments of Portland cement increased 10 percent from 1982 to 1983, the largest annual increase in demand in over fifteen years. This rise in domestic demand for cement is continuing into 1984. In the first five months of this year, cement shipments were 22 percent higher than shipments during the same period the year before. While demand is unlikely to sustain as high an increase as 22 percent for the entire year, it is expected that domestic demand will register at least a 12 percent increase in 1984 over 1983.

Market forces are doing more to restore the health of the U.S. cement industry than government policies could or should do. Purchases of cement with Federal funds under the Surface Transportation Assistance Act (STAA) comprise approximately only 6 percent of total U.S. production of Portland cement. Since a portion of these purchases are made from U.S. suppliers even when a Buy American preference is not in effect, Buy American cement restrictions would, at most, shift purchases from foreign to domestic suppliers on only a portion of the total STAA purchases. Therefore, the buy American restriction could only possibly affect a good deal less than 6 percent of the total U.S. demand for cement.

Moreover, imports remain a relatively small share of U.S. cement consumption. It is true that imports of cement have increased sharply since 1982: in fact, the volume of cement imports rose about 60 percent from 1982 to 1983. However, because of the large expansion in U.S. demand for cement since 1982, this increase in imports has resulted in only a slight increase in the import penetration ratio in the cement sector. Import penetration increased from about 3 percent in 1982 to almost 4 percent in 1983 and has remained below 6 percent in the first five months of 1984.

Conclusion

In summary, the proposed measure does not serve either our trade policy or commercial interests, especially at a time when adverse macro-economic developments have heightened the importance of stimulating foreign trade liberalization. The proposed buy American restriction would jeopardize our efforts to stop the spread of foreign buy national policies, severely hamper our international negotiations to reduce existing buy national policies, and damage our bilateral trade relationship, including trade liberalizing measures already undertaken, with Canada. In addition, market forces are causing an upswing for the U.S. domestic cement industry, following a downturn largely attributable to the recession. For all these reasons, the Department of Commerce opposes enactment of buy American restrictions on foreign-made cement in Federally-funded projects.

UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

ASSISTANT SECRETARY FOR INTERNATIONAL
ECONOMIC POLICY

AUG 17 1984

Honorable George Mitchell
United States Senate
Washington, DC 20510

Dear Senator Mitchell:

Enclosed is the supplementary information on cement consumption, employment and production which you requested at the August 1 hearing on Buy America restrictions on cement in Federally-funded highway projects. Where possible, the data include the regional breakdown you requested.

The first table shows shipments of Portland cement for the past twenty years by census division. Shipments are the best measurement of consumption because they represent the quantity of cement shipped from the mills to customers during the specified time period. The source of these data is the Bureau of Mines.

The second table shows employment levels in the U.S. hydraulic cement industry, which includes Portland cement, since 1967. These data are from the Annual Survey and Census of Manufactures undertaken by the Bureau of the Census. There are no U.S. Government data on U.S. cement industry employment by region.

The third set of tables shows U.S. production of Portland cement nationally and by district since 1966. These are also Bureau of Mines data. The format for these tables changed in 1974. Beginning in that year, other data such as capacity and capacity utilization are included along with the production figures.

If you have further questions on any of these data or need additional information please do not hesitate to contact us.

Sincerely,

Joseph F. Dennin

Enclosure

Portland Cement Destination of Shipments by Census Divisons

Volume in million tons

Source: Bureau of the Mines

Data includes imports of Portland cement reported
to the Bureau of Mines by U. S. Producers and importers.

	U. S. Total		New England			Middle Atlantic			East North Central		
Year	Shipments	Percent Change	Shipments	Percent Change	Percent of total U. S. annual shipments	Shipments	Percent Change	Percent of total U. S. annual shipments	Shipments	Percent Change	Percent of total U. S. annual shipments
1963	65660		2263		3.4	8081		12.3	12624		19.2
1964	68865	4.9	2600	14.9	3.8	8176	1.2	11.9	13346	5.7	19.4
1965	70328	2.1	2694	3.6	3.8	8462	3.5	12.0	13473	1.0	19.2
1966	71570	1.8	2647	-1.7	3.7	8353	-1.3	11.7	13833	2.7	19.3
1967	70315	-1.8	2543	-3.9	3.6	8446	1.1	12.0	14030	1.4	20.0
1968	74740	6.3	2769	8.9	3.7	8737	3.4	11.7	14332	2.2	19.2
1969	77047	3.1	2850	2.9	3.7	9100	4.2	11.8	14176	-1.1	18.4
1970	73407	-4.7	2856	0.2	3.9	8671	-4.7	11.8	12427	-12.3	16.9
1971	79005	7.6	2900	1.5	3.7	8824	1.8	11.2	13938	12.2	17.6
1972	82808	4.8	3139	8.2	3.8	9080	2.9	11.0	13589	-2.5	16.4
1973	88459	6.8	3253	3.6	3.7	9800	7.9	11.1	14859	9.3	16.8
1974	81125	-8.3	2724	-16.3	3.4	8592	-12.3	10.6	13298	-10.5	16.4
1975	69078	-14.8	2270	-16.7	3.3	6776	-21.1	9.9	11567	-13.0	16.7
1976	72833	5.4	2174	-4.2	3.0	6707	-1.0	9.2	12462	7.7	17.1
1977	78730	8.1	2300	5.8	2.9	6527	-2.7	8.3	12925	3.7	16.4
1978	84838	7.8	2655	15.4	3.1	7245	11.0	8.5	13697	6.0	16.1
1979	84860	0.0	2617	-1.4	3.1	7206	-0.5	8.5	12933	-5.6	15.2
1980	76059	-10.4	2266	-13.4	3.0	6531	-9.4	8.4	10183	-21.3	13.4
1981	71901	-5.5	2299	1.5	3.2	5969	-8.6	8.3	8863	-13.0	12.3
1982	64602	-10.2	2327	1.2	3.6	5714	-4.3	8.8	7725	-12.8	12.0
1983	70742	9.5	2466	6.0	3.5	6206	8.6	8.8	8304	7.5	11.7

Portland Cement Destination of Shipments by Census Divisons

Volume in million tons

Source: Bureau of the Mines

Data includes imports of Portland cement reported
to the Bureau of Mines by U. S. Producers and importers.

	West North Central			South Atlantic			East South Central		
Year	Shipments	Percent Change	Percent of total U. S. annual shipments	Shipments	Percent Change	Percent of total U. S. annual shipments	Shipments	Percent Change	Percent of total U. S. annual shipments
1963	6630		10.1	8993		13.7	3939		6.0
1964	7117	7.3	10.3	9637	7.2	14.0	4002	1.6	5.8
1965	7069	-0.7	10.1	9971	3.5	14.2	4141	3.5	5.9
1966	7393	4.6	10.3	10290	3.2	14.4	4183	1.0	5.8
1967	7152	-3.3	10.2	10349	0.6	14.7	4250	1.6	6.0
1968	7357	2.9	9.8	10874	5.1	14.5	4705	10.7	6.3
1969	7582	3.1	9.8	11889	9.3	15.4	4419	-6.1	5.7
1970	7249	-4.4	9.9	11845	-0.4	16.1	4163	-5.8	5.7
1971	7699	6.2	9.7	12872	8.7	16.3	4581	10.0	5.8
1972	7636	-0.8	9.2	14801	15.0	17.9	4923	7.5	5.9
1973	8381	9.8	9.5	16230	9.7	18.3	5269	7.0	6.0
1974	8126	-3.0	10.0	14748	-9.1	18.2	4887	-7.2	6.0
1975	7554	-7.0	10.9	10534	-28.6	15.2	4178	-14.5	6.0
1976	8117	7.5	11.1	10906	3.5	15.0	4561	9.2	6.3
1977	8223	1.3	10.4	12050	10.5	15.3	4970	9.0	6.3
1978	8690	5.7	10.2	13382	11.1	15.8	5261	5.9	6.2
1979	8485	-2.4	10.0	13476	0.7	15.9	4963	-5.7	5.8
1980	6734	-20.6	8.9	13681	1.5	18.0	4317	-13.0	5.7
1981	6121	-9.1	8.5	12991	-5.0	18.1	3936	-8.8	5.5
1982	5613	-8.3	8.7	11166	-14.0	17.3	3546	-9.9	5.5
1983	5912	5.3	8.4	12984	16.3	18.4	3819	7.7	5.4

Portland Cement Destination of Shipments by Census Divisons

Volume in million tons

Source: Bureau of the Mines

Data includes imports of Portland cement reported
to the Bureau of Mines by U. S. Producers and importers.

	West South Central			Mountain			Pacific		
Year	Shipments	Percent Change	Percent of total U.S. annual shipments	Shipments	Percent Change	Percent of total U. S. annual shipments	Shipments	Percent Change	Percent of total U. S. annual shipments
1963	8346		12.7	3896		5.9	9724		14.8
1964	8748	4.8	12.7	3721	-4.5	5.4	10102	3.9	14.7
1965	9183	5.0	13.1	3625	-2.6	5.2	10137	0.3	14.4
1966	9190	0.1	12.8	3508	-3.2	4.9	10543	4.0	14.7
1967	9103	-0.9	12.9	3155	-10.1	4.5	9459	-10.3	13.5
1968	9660	6.1	12.9	3726	18.1	5.0	10683	12.9	14.3
1969	9941	2.9	12.9	4120	10.6	5.3	11067	3.6	14.4
1970	9166	-7.8	12.5	4263	3.5	5.8	10792	-2.5	14.7
1971	10337	12.8	13.1	4931	15.7	6.2	10826	0.3	13.7
1972	11380	10.1	13.7	5439	10.3	6.6	10790	-0.3	13.0
1973	11441	0.5	12.9	5967	9.7	6.7	11000	1.9	12.4
1974	11081	-3.1	13.7	5295	-11.3	6.5	10276	-6.6	12.7
1975	10309	-7.0	14.9	4808	-9.2	7.0	9116	-11.3	13.2
1976	11102	7.7	15.2	5394	12.2	7.4	9727	6.7	13.4
1977	12924	16.4	16.4	6162	14.2	7.8	11158	14.7	14.2
1978	14062	8.8	16.6	6485	5.2	7.6	11854	6.2	14.0
1979	14091	0.2	16.6	6705	3.4	7.9	12881	8.7	15.2
1980	13958	-0.9	18.4	5957	-11.2	7.8	10902	-15.4	14.3
1981	14294	2.4	19.9	6059	1.7	8.4	9625	-11.7	13.4
1982	14048	-1.7	21.7	5127	-15.4	7.9	8023	-16.6	12.2
1983	14968	6.5	21.2	5884	14.8	8.3	8867	10.5	12.5

Portland Cement Destination of Shipments by Census Divisons

Volume in million tons

Source: Bureau of the Mines

Data includes imports of Portland cement reported
to the Bureau of Mines by U. S. Producers and imp[illegible]s.

	Puerto Rico			Foreign Countries *		
Year	Shipments	Percent Change	Percent of total U. S. annual shipments	Shipments	Percent Change	Percent of total U. S. annual shipments
1963	#		0	1164		1.8
1964	#		0	1418	21.8	2.1
1965	1245		1.8	229	-83.9	0.3
1966	1318	5.9	1.8	312	36.2	0.4
1967	1455	10.4	2.0	372	19.2	0.6
1968	1436	-1.3	1.9	439	18.0	0.6
1969	1496	4.2	1.9	406	-7.5	0.5
1970	1543	3.1	2.1	432	6.4	0.6
1971	1938	25.6	2.5	159	-63.2	0.2
1972	1904	-1.8	2.3	127	-20.1	0.2
1973	1947	2.3	2.2	312	145.7	0.4
1974	1762	-9.5	2.2	336	7.7	0.4
1975	1470	-16.6	2.1	496	47.6	0.7
1976	1433	-2.5	2.0	250	-49.6	0.3
1977	1368	-4.5	1.7	122	-51.2	0.2
1978	1442	5.4	1.7	65	-46.7	0.1
1979	1343	-6.9	1.6	160	146.2	0.2
1980	1414	5.3	1.9	296	85.0	0.4
1981	1151	-18.6	1.6	593	100.3	0.8
1982	950	-17.5	1.5	534	-9.9	0.8
1983	921	-3.1	1.3	411	-23.0	0.6

* Foreign country data also includes shipments to Alaska
# Puerto Rico shipments included in Foreign Countries

INDUSTRY HISTORICAL DATA, CEMENT, HYDRAULIC

Source: Census and Annual Survey of Manufactures

FILE SIC3241B.PC

		All Establishments		All Employees		Production Workers					
Year	Companies	Total	With 20 Employees or more	Number (1000)	Payroll (million $)	Number (1000)	Hours (millions)	Wages (million $)	Value added by manufacture (million $)	Cost of materials (million $)	Value of industry shipments (million $)
1967	65	197	180	32.6	247.7	26.2	52.5	184.4	812.3	439.2	1246.5
1968				30.8	248.7	24.9	50.8	190.5	868.1	451.7	1318.4
1969				30.4	273.8	24.6	50.6	211.3	890.6	491.8	1392.1
1970				30.2	292.3	24.3	49.3	224.7	886.1	506.7	1376.7
1971				28.8	303.6	23.2	47.4	233.9	976.3	564.9	1560.3
1972	75	198	171	30.0	349.2	24.3	49.7	275.2	1153.5	655.4	1791.2
1973				29.7	376.2	23.9	49.0	294.3	1224.3	737.8	1987.7
1974				31.0	411.4	24.9	50.5	320.3	1374.3	983.1	2285.2
1973				28.7	411.3	22.8	45.1	315.5	1332.9	1034.6	2334.3
1976				28.1	445.3	22.3	44.2	343.3	1461.3	1163.5	2603.8
1977	84	201	160	22.2	485.1	22.2	44.4	380.0	1671.5	1343.0	3042.3
1978				28.7	558.9	22.9	46.9	433.5	1961.9	1619.3	3604.3
1979				30.4	644.7	24.5	50.2	510.3	2211.4	1865.1	4017.1
1980				30.4	698.5	24.2	48.4	543.4	2119.4	1891.5	3962.8
1981				28.1	687.6	22.3	43.9	532.0	1971.8	1814.2	3715.4
1982	111	232	158	24.3	632.6	19.0	36.3	472.6	N.A.	1743.3	3534.4
1983											

Table 2.--Portland cement production, capacity, and stocks in the United States by district 1/

District	1982					1983				
	Plants active during year	Production 2/ (thousand short tons)	Capacity 3/		Stocks 4/ at mills Dec. 31 (thousand short tons)	Plants active during year	Production 2/ (thousand short tons)	Capacity 3/		Stocks 4/ at mills Dec. 31 (thousand short tons)
			Finish grinding (thousand short tons)	Percent utilized				Finish grinding (thousand short tons)	Percent utilized	
New York, Maine	7	3,054	4,584	66.6	266	6	2,914	4,018	72.5	293
Pennsylvania, Eastern	10	3,750	5,401	69.4	395	8	4,103	4,848	84.6	351
Pennsylvania, Western	4	1,008	2,403	41.9	145	4	997	2,441	40.8	119
Maryland, Virginia, West Virginia	5	W	W	W	W	5	3,025	3,610	83.8	335
Ohio	6	1,381	2,506	55.1	158	6	1,630	2,603	62.6	212
Michigan, Wisconsin	8	W	W	W	W	7	3,814	7,096	53.7	348
Indiana, Kentucky	5	W	W	W	W	5	2,581	3,862	66.8	282
Illinois	4	1,544	2,644	58.4	198	4	1,889	2,640	71.6	229
Georgia, Tennessee	6	W	W	W	W	4	1,809	2,690	67.2	145
North Carolina, South Carolina	4	W	W	W	W	4	1,976	4,278	46.2	114
Florida	6	2,641	4,364	60.5	213	6	3,344	4,553	73.4	214
Alabama	6	2,677	4,927	54.3	360	6	3,195	5,661	56.4	367
Arkansas, Louisiana, Mississippi	4	W	W	W	W	4	2,327	2,790	83.4	128
South Dakota	1	523	1,806	28.9	66	1	593	1,806	32.8	56
Iowa	4	1,461	3,001	48.6	270	4	1,675	3,001	55.8	307
Missouri	5	3,104	4,925	63.0	357	5	3,541	4,950	71.5	444
Kansas, Nebraska	7	W	W	W	W	7	2,394	4,114	58.2	394
Oklahoma	3	W	W	W	W	3	1,705	2,180	78.2	165
Texas Northern	9	4,581	5,246	87.3	357	9	4,872	5,542	87.9	313
Texas Southern	11	4,867	7,150	68.0	300	10	4,780	7,132	67.0	243
Idaho, Montana, Utah	6	1,327	2,410	55.0	253	6	1,480	2,381	62.2	241
Colorado, Wyoming	4	1,619	2,600	62.2	136	3	1,437	3,112	46.2	103
Oregon, Washington	6	W	W	W	W	5	1,719	2,750	62.5	242
Arizona, Nevada, New Mexico	4	W	W	W	W	4	1,970	3,083	63.9	126
California Northern	4	2,099	3,797	55.2	286	3	2,124	3,937	53.9	166
California Southern	8	4,408	8,174	53.9	292	8	5,386	8,893	60.6	305
Hawaii	2	223	560	39.7	44	2	210	560	37.5	38
Other	--	20,804	37,544	55.4	2,261	--	--	--	--	--
Total or average	149	61,071	104,042	58.7	6,357	139	67,490	104,531	64.6	6,280
Puerto Rico	2	986	2,210	44.6	36	2	927	2,210	41.9	32

W Withheld to avoid disclosing company proprietary data; included with "Other."

1/Includes Puerto Rico. Includes data for white facilities (three in 1983 and five in 1982): California (one); Pennsylvania (one in 1983 and two in 1982); and Texas (one in 1983 and two in 1982). Includes data for grinding plants (ten in 1983 and nine in 1982) as follows: Florida (one); Illinois (one in 1983 only); Michigan (two); New York (one); Oregon (one in 1982 only); Pennsylvania (one); Texas (three in 1983 and one in 1982); and Wisconsin (one in 1983 and two in 1982).

2/Includes cement produced from imported clinker (1982—525,000 tons; 1983--762,000).

3/Grinding capacity based on fineness necessary to grind Types I and II cement, making allowance for downtime required for maintenance.

4/Includes imported cement. Source of imports withheld to avoid disclosing company proprietary data.

Source: Bureau of the Mines

Table 2.—Portland cement production, capacity, and stocks in the United States, by district[1]

District	1980 Plants active during year	1980 Production[2] (thousand short tons)	1980 Capacity[3] Finish grinding (thousand short tons)	1980 Capacity[3] Percent utilized	1980 Stocks[4] at mills, Dec. 31 (thousand short tons)	1981 Plants active during year	1981 Production[2] (thousand short tons)	1981 Capacity[3] Finish grinding (thousand short tons)	1981 Capacity[3] Percent utilized	1981 Stocks[4] at mills, Dec. 31 (thousand short tons)
New York and Maine	9	3,648	5,399	67.6	472	7	3,645	4,559	80.0	434
Pennsylvania, eastern	11	4,096	6,686	61.3	480	10	3,840	5,846	65.7	456
Pennsylvania, western	4	1,435	2,155	66.6	181	4	1,262	2,345	53.8	190
Maryland and West Virginia	4	2,148	2,850	75.4	175	4	1,945	2,811	69.2	236
Ohio	5	1,693	2,380	71.1	130	6	1,571	2,500	62.8	161
Michigan	7	4,767	7,686	62.0	397	6	3,931	7,126	55.2	356
Indiana	5	2,033	3,402	59.8	319	4	1,752	3,188	55.0	306
Illinois	4	1,768	2,818	62.7	255	4	1,701	2,588	65.7	361
Tennessee	6	1,328	2,447	54.3	97	4	1,049	2,017	52.0	105
Kentucky, North Carolina, Virginia	3	1,640	2,482	66.1	308	3	1,626	2,482	65.5	228
South Carolina	3	1,780	3,268	54.5	96	3	1,789	3,130	57.2	114
Florida	6	3,336	4,055	82.3	129	6	3,367	4,057	83.0	204
Georgia	3	1,227	1,753	70.0	76	3	1,167	1,750	66.7	101
Alabama	7	2,520	3,769	66.9	279	6	2,218	3,406	65.1	237
Louisiana and Mississippi	4	1,657	1,993	83.1	108	3	1,363	1,485	91.8	57
Nebraska and Wisconsin	5	820	1,741	47.1	126	3	707	1,580	44.7	111
South Dakota	1	464	1,806	25.7	50	1	464	1,806	25.7	64
Iowa	5	2,058	3,121	65.9	310	4	1,713	2,734	62.7	340
Missouri	7	3,606	5,164	69.8	496	7	3,621	5,844	62.0	480
Kansas	5	1,968	2,306	85.3	191	5	1,843	2,318	79.5	294
Oklahoma and Arkansas	5	2,752	3,620	76.0	244	5	2,819	3,620	77.9	235
Texas	19	9,151	11,601	78.9	504	20	9,962	11,950	83.3	551
Wyoming, Montana, Idaho	4	998	1,194	83.6	117	4	1,118	1,575	71.0	196
Colorado, Arizona, Utah, New Mexico	8	3,521	5,270	66.8	203	9	3,589	6,047	59.4	211
Washington	4	1,572	2,103	74.8	136	4	1,679	2,104	79.8	127
Oregon and Nevada	3	1,025	1,775	57.7	75	3	1,011	1,775	57.0	103
California, northern	4	2,606	3,188	81.8	278	4	2,297	3,797	60.5	235
California, southern	8	6,241	8,199	76.1	206	8	5,581	7,990	69.8	304
Hawaii	2	372	560	66.4	39	2	311	560	55.5	48
Total or average	161	72,172	104,693	68.9	6,373	152	68,931	102,982	66.9	6,374
Puerto Rico	2	1,485	2,209	67.2	40	2	1,222	2,209	55.3	36

[1] Includes Puerto Rico. Includes data for 6 white cement facilities: Texas (2); Pennsylvania (2); California (1); Wisconsin (1 in 1980 only); and Utah (1 in 1981 only). Includes data for 7 grinding plants in 1981 and 9 in 1980 as follows: Florida (1); Indiana (1 in 1980 only); New York (1); Michigan (2); Pennsylvania (2 in 1980 and 1 in 1981); Wisconsin (2 in 1980 and 1 in 1981); and Texas (1 in 1981 only).

[2] Includes cement produced from imported clinker (1980—2,111,000 tons; 1981—1,276,000 tons).

[3] Grinding capacity based on fineness necessary to grind Types I and II cement, making allowance for downtime required for maintenance.

[4] Includes imported cement. Source of imports withheld to avoid disclosing company proprietary data.

Source: Bureau of the Mines

Table 3.—Portland cement production, capacity, and stocks in the United States, by district[1] [2]

(Thousand short tons)

District	1978					1979				
	Plants active during year	Production[3]	Capacity[4]		Stocks[5] at mills Dec. 31	Plants active during year	Production[3]	Capacity[4]		Stocks[5] at mills Dec. 31
			Finish grinding	Percent utilized				Finish grinding	Percent utilized	
New York and Maine	9	4,081	5,502	74.2	382	9	4,187	5,562	75.3	525
Pennsylvania, eastern	11	4,726	6,563	72.0	397	11	4,872	6,563	74.2	575
Pennsylvania, western	5	2,042	3,087	66.1	189	5	1,946	2,681	72.6	215
Maryland and West Virginia	4	2,281	2,821	80.9	167	4	2,330	2,836	82.1	154
Ohio	6	2,014	2,685	75.0	131	6	2,045	2,735	74.8	211
Michigan	7	5,926	7,384	80.2	380	7	5,776	7,423	77.8	412
Indiana	5	2,567	3,756	68.3	171	5	2,664	3,721	71.6	232
Illinois	4	2,123	2,392	88.8	126	4	1,998	2,796	71.5	228
Tennessee	6	1,518	2,626	57.8	112	6	1,394	2,653	52.5	133
Kentucky, North Carolina, Virginia	3	1,865	2,482	75.1	144	3	1,862	2,482	75.0	186
South Carolina	3	1,959	3,044	64.3	103	3	2,014	3,044	66.2	125
Florida	6	2,990	3,757	79.6	160	6	3,255	3,930	82.8	158
Georgia	3	1,465	1,702	86.1	66	3	1,379	1,702	81.0	80
Alabama	7	2,955	3,839	77.0	162	7	2,682	3,839	69.9	273
Louisiana and Mississippi	4	1,586	1,993	79.6	77	4	1,590	1,993	79.8	114
Nebraska and Wisconsin	5	1,060	1,741	60.9	144	5	1,151	1,741	66.1	148
South Dakota	1	515	720	71.5	43	1	660	1,806	36.5	46
Iowa	5	2,533	3,167	80.0	158	5	2,384	3,287	72.5	218
Missouri	7	4,620	5,166	89.4	316	7	4,368	5,166	84.6	375
Kansas	5	2,063	2,414	85.4	113	5	2,117	2,400	88.2	137
Oklahoma and Arkansas	5	2,774	3,447	80.4	118	5	2,752	3,447	79.8	173
Texas	18	8,624	10,874	79.3	467	18	9,070	10,430	87.0	434
Wyoming, Montana, Idaho	4	1,058	1,199	88.2	73	4	1,049	1,194	87.9	72
Colorado, Arizona, Utah, New Mexico	8	3,899	5,545	70.3	190	8	3,973	5,500	72.2	263
Washington	4	1,880	2,095	89.7	116	4	1,843	2,105	87.6	149
Oregon and Nevada	3	1,006	1,325	75.9	42	3	984	1,325	74.3	62
California, northern	4	2,854	3,316	86.1	153	4	2,941	3,278	89.7	219
California, southern	8	6,461	7,878	82.0	237	8	6,921	8,359	82.8	237
Hawaii	2	438	560	78.2	44	2	451	560	80.5	25
Puerto Rico	2	1,495	1,888	79.2	31	2	1,413	1,888	74.8	37
Total or average	164	81,378	104,968	77.5	5,012	164	82,071	106,446	77.1	6,216

[1] Includes Puerto Rico.

[2] Includes data for six white cement facilities; Texas (two); Pennsylvania (two); California (one); and Wisconsin (one). Includes data for seven grinding plants as follows: Michigan (two); Wisconsin (two), one each in Florida and New York; and one in Ohio in 1978 and one in Pennsylvania in 1979.

[3] Includes cement produced from imported clinker (1978—3,036; 1979—4,171).

[4] Grinding capacity based on fineness necessary to grind Types I and II cement, making allowance for downtime required for maintenance.

[5] Includes imported cement. Source of imports withheld to avoid disclosing company proprietary data.

Source: Bureau of the Mines

Table 3.—Portland cement production, capacity, and stocks in the United States, by district[1] [2]

(Thousand short tons)

District	1976					1977				
	Plants active during year	Production[3]	Capacity[4]		Stocks[5] at mills Dec. 31	Plants active during year	Production[3]	Capacity[4]		Stocks[5] at mills Dec. 31
			Finish grinding	Percent utilized				Finish grinding	Percent utilized	
New York and Maine	9	3,303	5,536	59.6	422	9	3,617	5,634	64.2	486
Pennsylvania, eastern	11	4,272	6,637	64.3	618	11	4,252	6,680	63.6	593
Pennsylvania, western	5	2,012	2,885	69.7	317	5	1,920	2,970	64.6	188
Maryland and West Virginia	4	1,897	2,821	67.2	245	4	2,021	2,821	71.6	253
Ohio	7	2,190	3,074	71.2	212	5	1,956	2,360	82.8	187
Michigan	8	5,118	7,543	67.8	689	7	5,568	7,684	72.4	514
Indiana, Kentucky, Wisconsin	9	3,338	5,058	65.9	323	9	3,399	4,994	68.0	328
Illinois	4	1,849	2,136	86.5	287	4	1,915	2.341	81.8	187
Tennessee	6	1,289	2,568	50.1	152	6	1,476	2,626	56.2	153
Virginia, North Carolina, South Carolina	6	2,486	4,804	51.7	257	5	2,722	4,774	57.0	220
Georgia	3	982	1,477	66.4	77	3	1,235	1,702	72.5	75
Florida	6	1,931	4,119	46.8	189	6	2,569	4,273	60.1	129
Alabama	7	2,098	3,115	67.3	223	7	2,340	3,804	61.5	191
Louisiana and Mississippi	5	1,551	2,193	70.7	130	4	1,538	1,993	77.1	105
South Dakota and Nebraska	3	1,484	1,915	77.4	158	3	1,368	1,879	72.8	136
Iowa	5	2,454	3,094	79.3	278	5	2,513	3,167	79.3	220
Missouri	7	4,334	5,171	83.8	376	7	4,551	5,211	87.3	346
Kansas	5	1,950	2,326	83.8	189	5	2,072	2,340	88.5	130
Oklahoma and Arkansas	5	2,620	3,462	75.6	253	5	2,771	3,422	80.9	143
Texas	18	7,438	9,711	76.5	543	18	8,233	9,761	84.3	343
Wyoming, Montana, Idaho	4	1,044	1,219	85.6	56	4	1,118	1,199	93.2	78
Colorado, Arizona, Utah, New Mexico	8	3,524	5,675	62.1	220	8	3,858	5,375	71.7	149
Washington	4	1,391	2,068	67.2	98	4	1,636	2,095	78.0	81
Oregon and Nevada	3	912	1,385	65.8	43	3	904	1,385	65.2	50
California, northern	4	2,377	3,026	78.5	152	4	2,541	3,276	77.5	107
California, southern	8	5,515	7,810	70.6	224	8	6,499	7,758	83.7	238
Hawaii	2	323	550	58.7	33	2	333	560	59.3	46
Puerto Rico	3	1,545	2,768	55.8	31	2	1,413	1,796	78.6	33
Total or average	169	71,227	104,146	68.4	6,790	163	[6]76,340	103,880	73.5	5,709

[1] Includes Puerto Rico.

[2] Includes data for white cement facilities (seven in 1976 and six in 1977): Texas (three in 1976, two in 1977); Pennsylvania (two); one each in California and Wisconsin. Includes data for grinding plants (six) as follows: Wisconsin (two); Michigan (two); and one each in Florida and New York.

[3] Includes cement produced from imported clinker (1976—1,024; 1977—1,483).

[4] Grinding capacity based on fineness necessary to grind Types I and II cement, making allowance for downtime required for maintenance.

[5] Includes imported cement. Source of imports withheld to avoid disclosing individual company confidential data.

[6] Data do not add to total shown because of independent rounding.

Source: Bureau of the Mines

Table 3.—Portland cement production, capacity, and stocks in the United States, by district [1] [2]

(Thousand short tons)

District	1974					1975				
	Plants active during year	Production [3]	Capacity [4]		Stocks [5] at mills Dec. 31	Plants active during year	Production [3]	Capacity [4]		Stocks [5] at mills Dec. 31
			Finish grinding	Percent utilized				Finish grinding	Percent utilized	
New York and Maine	10	4,924	6,560	75.1	546	10	3,647	6,550	55.6	515
Eastern Pennsylvania	14	5,630	7,119	79.1	641	12	4,029	6,924	58.1	446
Western Pennsylvania	5	2,312	2,899	79.8	281	5	1,852	2,885	64.1	271
Maryland and West Virginia	4	2,395	2,962	80.9	194	4	1,849	2,842	65.0	199
Ohio	8	2,918	3,540	82.4	273	8	2,292	3,572	64.1	197
Michigan	8	5,844	8,332	70.1	685	8	4,634	7,543	61.4	691
Indiana, Kentucky, Wisconsin	r 10	3,528	4,569	77.2	341	10	3,032	4,926	61.5	356
Illinois	4	1,592	2,096	76.0	176	4	1,481	2,096	70.6	155
Tennessee	6	1,557	2,208	70.5	116	6	1,198	2,286	52.4	112
Virginia, North Carolina, South Carolina	6	2,920	4,792	60.9	213	6	2,396	4,804	49.8	237
Georgia	3	1,167	1,482	78.7	86	3	848	1,477	57.0	69
Florida	5	2,362	3,716	63.6	323	5	1,676	4,119	40.6	210
Alabama	7	2,322	2,947	78.8	205	7	1,995	2,781	71.7	214
Louisiana and Mississippi	6	1,699	2,648	64.2	162	6	1,330	2,648	50.2	123
Minnesota, South Dakota, Nebraska	4	1,594	2,233	71.4	164	4	1,479	2,197	67.3	139
Iowa	5	2,449	2,861	85.6	180	5	2,208	2,824	78.1	196
Missouri	7	4,298	5,150	83.4	396	7	3,919	5,150	76.1	387
Kansas	5	1,996	2,169	92.0	219	5	1,835	2,341	78.3	222
Oklahoma and Arkansas	5	2,695	3,442	78.3	247	5	2,232	3,452	64.6	253
Texas	18	7,889	9,961	79.2	644	18	7,074	9,940	71.1	471
Wyoming, Montana, Idaho	4	1,092	1,218	89.6	106	4	1,005	1,209	83.1	115
Colorado, Arizona, Utah, New Mexico	8	3,351	5,380	62.3	234	8	3,295	5,685	57.9	260
Washington	4	1,389	2,260	61.5	93	4	1,379	2,118	65.0	131
Oregon and Nevada	3	916	1,385	66.1	45	3	858	1,385	61.9	36
Northern California	4	2,728	3,229	84.3	284	4	2,214	3,229	68.5	218
Southern California	8	5,479	7,907	69.3	281	8	4,997	7,810	63.9	271
Hawaii	2	474	500	94.8	28	2	466	550	84.7	38
Puerto Rico	3	1,971	2,658	74.2	43	3	1,582	2,768	57.1	43
Total	r 176	79,486	106,223	74.8	7,156	174	[6] 66,796	106,111	62.9	6,575

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r Revised.

[1] Includes Puerto Rico.

[2] Includes data for eight white cement facilities—Texas (three), Pennsylvania (two), and one each in California, Florida, and Wisconsin—and for grinding plants (eight in 1974, seven in 1975) as follows: Two each in Michigan and Wisconsin, Pennsylvania two in 1974 and one in 1975, and one each in Florida and Virginia. Data for the Superior, Wis., plant are included with Michigan (1974). G. & W. H. Corson, Inc. (Pennsylvania) discontinued grinding operations in 1974. The National Portland Cement Co. (Pennsylvania) did not operate in 1975.

[3] Includes cement produced from imported clinker (1974—1,904; 1975—1,240).

[4] Grinding capacity based on fineness necessary to grind Types I and II cement, making allowance for downtime required for maintenance.

[5] Includes imported cement. Source of imports withheld to avoid disclosing individual company confidential data.

[6] Data do not add to total shown because of independent rounding.

Source: Bureau of the Mines

Table 2.—Finished portland cement produced, shipped, and in stock in the United States,[1] by district[2]

District	Plants active during year		Production[3] (thousand short tons)		Shipments						Stocks at mills December 31 (thousand short tons)	
					1972			1973				
					Quantity (thousand short tons)	Value		Quantity (thousand short tons)	Value			
	1972	1973	1972	1973		Total (thousands)	Average per short ton		Total (thousands)	Average per short ton	1972	1973
New York and Maine	10	10	5,241	5,578	5,086	$97,391	$19.15	5,679	$115,855	$20.40	464	354
Eastern Pennsylvania	[r] 14	14	6,028	6,158	5,912	114,018	19.29	6,210	128,998	20.77	397	353
Western Pennsylvania	5	5	2,302	2,427	2,302	41,990	18.24	2,354	42,655	18.12	225	181
Maryland and West Virginia	4	4	2,528	2,558	2,487	49,371	19.85	2,568	53,432	20.81	186	146
Ohio	8	8	2,885	3,117	2,968	57,953	19.53	3,456	73,362	21.23	356	215
Michigan	10	9	6,181	6,007	5,901	111,410	18.88	6,242	123,442	19.78	763	570
Indiana, Kentucky, Wisconsin	9	9	3,466	3,756	3,158	61,493	19.47	3,642	74,528	20.46	372	221
Illinois	3	3	1,540	1,531	1,571	33,124	21.08	1,572	36,064	22.94	180	109
Tennessee	6	6	1,715	1,579	1,695	37,176	21.93	1,711	42,402	24.78	130	80
Virginia, North Carolina, South Carolina	5	5	2,528	2,525	2,469	53,398	21.63	2,446	57,813	23.64	182	88
Georgia	3	3	1,230	1,149	1,260	27,286	21.66	1,201	28,124	23.42	66	45
Florida	4	4	2,142	2,711	2,425	59,778	24.65	2,725	72,666	26.67	101	107
Alabama	7	7	2,419	2,404	2,360	48,577	20.58	2,396	55,820	23.30	152	100
Louisiana and Mississippi	5	5	1,602	1,479	1,707	35,045	20.53	1,533	36,659	23.91	89	59
Minnesota, South Dakota, Nebraska	4	4	1,555	1,628	1,589	34,001	21.40	1,712	40,052	23.39	188	124
Iowa	5	5	2,491	2,529	2,458	49,635	20.19	2,688	59,574	22.16	278	153
Missouri	7	7	4,329	4,859	4,277	80,898	18.91	4,582	99,858	21.79	418	267
Kansas	5	5	1,986	2,036	1,889	35,432	18.76	2,026	42,172	20.82	232	163
Oklahoma and Arkansas	5	5	2,604	2,746	2,560	49,734	19.43	2,790	60,123	21.55	249	177
Texas	18	18	7,884	8,312	7,813	171,642	21.97	8,320	189,368	22.76	494	465
Wyoming, Montana, Idaho	4	4	956	1,047	946	20,276	21.43	1,046	22,437	21.45	100	116
Colorado, Arizona, Utah, New Mexico	8	8	3,145	3,441	3,560	79,868	22.43	3,854	92,861	24.09	225	192
Washington	4	4	1,426	1,462	1,239	26,848	21.67	1,194	26,651	22.32	169	192
Oregon and Nevada	3	3	831	908	854	18,914	22.15	923	20,274	21.97	44	39
Northern California	5	5	2,783	2,797	2,855	57,320	20.08	3,075	64,953	21.12	267	231
Southern California	8	8	6,609	6,705	6,231	124,988	20.06	6,321	136,939	21.66	306	324
Hawaii	2	2	879	467	402	10,732	26.70	453	13,213	29.17	27	42
Puerto Rico	3	3	1,959	2,060	1,946	31,756	16.32	2,062	41,208	19.98	39	45
U. S. total or average[4]	[r] 174	173	80,744	83,476	79,920	1,620,046	20.27	84,780	1,851,495	21.84	6,699	5,158
Foreign countries[5]	NA	NA	NA	NA	1,512	33,732	22.31	1,619	38,782	23.95	10	71
Total or average[4]	[r] 174	173	80,744	83,476	81,432	1,653,779	20.31	86,399	1,890,277	21.88	6,709	5,229

[r] Revised. NA Not available.

[1] Includes Puerto Rico.

[2] Includes data for eight white cement facilities: Texas (three); Pennsylvania (two); one each in California, Florida, and Wisconsin. Grinding plants (six in 1972; seven in 1973): Michigan (two in 1972; three in 1973) and includes data for Superior, Wisc.; Pennsylvania (two); and one each in Wisconsin and Virginia. Two gray plants in Michigan were phased out in 1972.

[3] Includes cement produced from imported clinker.

[4] Data may not add to totals shown, because of independent rounding.

[5] Cement imported and distributed by domestic producers only. Source of imports withheld to avoid disclosing individual company confidential data.

Source: Bureau of the Mines

Table 2.—Finished portland cement produced, shipped, and in stock in the United States,[1] by district [2]

District	Plants [3] active during year		Production [4] (thousand 376-pound barrels)		Shipments from mills						Stocks at mills Dec. 31 (thousand 376-pound barrels)	
					1970			1971				
						Value			Value			
	1970	1971	1970	1971	Thousand 376-pound barrels	Total (thousands)	Average per barrel	Thousand 376-pound barrels	Total (thousands)	Average per barrel	1970 r	1971
New York and Maine	11	10	27,518	27,416	28,402	$80,184	$2.82	28,111	$89,699	$3.19	1,980	1,663
Pennsylvania, eastern	17	15	31,357	31,002	30,909	89,782	2.90	30,809	105,352	3.42	1,998	1,827
Pennsylvania, western	5	5	10,295	11,667	9,999	31,319	3.13	10,944	35,108	3.21	1,753	1,645
Maryland and West Virginia	4	4	11,517	12,230	11,838	35,693	3.02	12,287	41,692	3.39	944	942
Ohio	9	8	11,898	14,966	11,752	39,997	3.40	15,411	54,338	3.53	1,946	1,487
Michigan	9	9	29,655	31,995	29,813	101,019	3.39	32,489	104,665	3.22	3,944	3,297
Indiana, Kentucky, Wisconsin	8	8	16,361	17,297	15,644	53,364	3.41	17,564	62,301	3.55	2,310	1,289
Illinois	4	3	7,400	8,046	7,946	25,252	3.18	7,578	25,975	3.43	996	678
Tennessee	6	6	8,534	8,619	8,878	29,832	3.36	9,110	33,733	3.70	834	698
Virginia, North Carolina, South Carolina	5	5	12,291	12,482	11,950	39,823	3.33	12,999	45,985	3.54	1,103	640
Georgia	3	3	5,639	6,486	r 5,567	17,604	3.16	6,458	22,470	3.48	332	396
Florida	4	4	10,217	11,626	r 9,888	33,962	3.43	11,581	48,970	4.23	907	571
Alabama	8	7	12,795	12,223	16,053	51,114	3.18	12,149	42,281	3.48	704	625
Louisiana and Mississippi	5	5	6,856	7,906	6,988	25,702	3.68	8,289	30,579	3.69	773	690
Minnesota, South Dakota, Nebraska	4	4	7,282	7,848	7,079	24,328	3.44	7,923	28,908	3.65	1,264	1,156
Iowa	5	5	13,421	12,358	12,744	45,432	3.56	12,726	47,925	3.77	1,873	1,519
Missouri	7	7	20,733	22,040	21,224	64,261	3.03	24,017	77,568	3.23	2,011	1,530
Kansas	6	5	8,973	9,570	9,197	28,177	3.06	9,208	29,961	3.25	1,120	1,124
Oklahoma and Arkansas	5	5	11,079	12,630	11,048	36,659	3.32	12,572	44,164	3.51	961	1,095
Texas	18	18	34,584	37,968	33,967	122,960	3.62	38,287	140,206	3.66	2,827	2,486
Wyoming, Montana, Idaho	4	4	4,494	5,009	4,518	16,127	3.57	4,986	18,450	3.70	709	743
Colorado, Arizona, Utah, New Mexico	8	8	13,820	15,715	13,553	52,972	3.91	17,014	69,160	4.06	1,188	1,086
Washington	4	4	6,670	7,041	6,495	24,832	3.82	6,113	23,735	3.88	987	899
Oregon and Nevada	3	3	3,935	4,469	3,944	15,231	3.86	4,511	18,048	4.00	254	220
California, northern	6	6	16,972	15,388	16,368	56,694	3.46	16,535	60,874	3.68	2,124	1,574
California, southern	8	8	33,100	33,040	33,131	116,432	3.51	31,958	109,047	3.41	1,847	2,081
Hawaii	2	2	2,271	1,983	2,105	9,968	4.74	1,998	10,196	5.12	278	268
Puerto Rico	3	3	9,523	10,594	9,460	29,515	3.12	10,642	38,413	3.61	187	140
U.S. total	181	174	389,190	[5] 409,617	[5] 390,461	[5] 1,298,233	3.32	414,264	1,459,801	3.52	38,154	32,364
Foreign countries [6]	NA	NA	NA	NA	NA	NA	NA	5,975	20,894	3.50	292	169
Grand total	181	174	389,190	409,617	390,461	1,298,233	3.32	[5] 420,238	[5] 1,480,696	3.52	38,446	32,533

r Revised. NA Not available; data included in U.S. total.

[1] Includes Puerto Rico.

[2] Includes grinding plants and white cement manufacturing facilities.

[3] Eight plants phased out during year (1970); 1 new plant went on stream in 1971.

[4] Includes cement produced from imported clinker.

[5] Data may not add to totals shown because of independent rounding.

[6] Cement imported and distributed by domestic producers only. Source of imports withheld to avoid disclosing individual company confidential data.

Source: Bureau of the Mines

Table 2.—Finished portland cement produced, shipped, and in stock in the United States,[1] by districts

District	Accive plants		Production (thousand 376-pound barrels)		Shipments from mills						Stocks at mills Dec. 31 (thousand 376-pound barrels)	
					1968			1969				
					Thousand 376-pound barrels	Value		Thousand 376-pound barrels	Value			
	1968	1969	1968	1969		Total (thousands)	Average per barrel		Total (thousands)	Average per barrel	1968	1969
New York, Maine	11	11	28,696	27,555	29,090	$75,006	$2.58	29,423	$77,234	$2.62	3,472	2,374
Eastern Pennsylvania	17	17	32,145	31,453	31,270	86,569	2.77	32,940	89,096	2.70	3,704	2,387
Western Pennsylvania	5	5	11,784	11,651	11,748	36,608	3.12	11,953	37,845	3.17	1,844	1,688
Maryland, West Virginia	4	4	10,591	11,293	10,151	30,330	2.99	12,172	35,417	2.91	972	756
Ohio	9	9	14,891	14,698	15,222	49,814	3.27	15,100	50,071	3.32	1,766	1,824
Michigan	9	9	31,195	30,565	31,375	99,158	3.16	30,373	98,425	3.24	4,043	4,320
Indiana, Kentucky, Wisconsin	7	8	19,148	18,723	18,265	59,341	3.25	17,946	56,824	3.17	2,309	2,318
Illinois	4	4	9,719	8,872	9,372	32,475	3.47	8,720	29,996	3.44	1,829	1,765
Tennessee	6	6	8,584	8,813	8,488	27,691	3.26	9,159	29,403	3.21	943	799
Virginia, North Carolina, South Carolina	6	5	12,515	11,864	12,584	39,537	3.14	12,071	38,210	3.17	930	817
Georgia, Florida	6	6	13,163	14,520	13,883	45,254	3.26	15,108	51,260	3.40	753	776
Alabama	8	8	13,291	13,686	15,514	48,147	3.10	16,527	51,251	3.10	1,386	929
Louisiana, Mississippi	6	5	8,394	7,593	8,719	28,487	3.27	7,801	25,911	3.32	500	674
Minnesota, South Dakota, Nebraska	4	4	7,195	7,083	6,885	23,907	3.47	7,284	25,397	3.49	1,330	1,060
Iowa	5	5	13,544	13,633	13,900	47,275	3.40	14,084	47,265	3.36	1,343	1,157
Missouri	8	8	19,806	20,860	20,081	71,206	3.55	21,325	74,368	3.49	2,656	2,165
Kansas	6	6	9,887	9,737	9,680	29,898	3.09	9,764	29,365	3.01	1,585	1,483
Oklahoma, Arkansas	5	5	12,587	12,881	12,237	35,995	2.94	12,859	38,671	3.01	1,378	1,260
Texas	20	19	34,161	35,823	34,499	107,532	3.12	36,087	117,989	3.27	2,722	2,740
Wyoming, Montana, Idaho	4	4	3,818	4,680	3,881	13,669	3.52	5,099	17,727	3.48	735	696
Colorado, Arizona, Utah, New Mexico	7	7	12,099	12,037	12,105	42,141	3.48	12,408	44,868	3.62	1,281	899
Washington	5	5	6,327	6,323	6,328	23,030	3.64	6,356	22,724	3.58	925	1,004
Oregon, Nevada	3	3	3,617	3,497	3,812	13,657	3.58	3,689	14,127	3.83	201	305
Northern California	6	6	18,426	19,527	18,967	61,682	3.25	19,309	64,974	3.36	1,446	1,648
Southern California	8	8	28,650	31,238	28,628	90,279	3.15	31,301	105,638	3.37	1,780	1,928
Hawaii	2	2	1,752	2,102	1,841	9,254	5.03	2,075	10,544	5.08	130	133
Puerto Rico	2	2	8,924	8,945	8,923	27,577	3.09	8,943	27,920	3.12	152	154
Total	183	181	394,909	399,602	397,448	1,255,519	3.16	409,826	1,312,520	3.20	42,115	38,059

[1] Includes Puerto Rico.

Source: Bureau of the Mines

Table 2.—Finished portland cement produced, shipped, and in stock in the United States,[1] by districts

District	Active plants		Production (thousand 376-pound barrels)		Shipments from mills						Stocks at mills Dec. 31 (thousand 376-pound barrels)	
					1966			1967				
						Value			Value			
	1966	1967	1966	1967	Thousand 376-pound barrels	Total (thousands)	Average per barrel	Thousand 376-pound barrels	Total (thousands)	Average per barrel	1966 [2]	1967
New York, Maine	12	13	30,555	26,684	30,525	$80,829	$2.65	28,816	$75,780	$2.63	3,793	3,535
Eastern Pennsylvania	17	17	30,793	28,957	29,227	80,828	2.76	29,596	81,704	2.76	3,662	2,906
Western Pennsylvania	5	5	11,387	10,453	10,777	33,529	3.11	10,601	32,888	3.10	1,897	1,716
Maryland, West Virginia	4	4	10,392	9,675	10,089	30,815	3.05	10,160	30,509	3.00	1,163	662
Ohio	9	9	15,755	14,773	15,181	48,740	3.21	14,726	46,860	3.18	2,271	2,224
Michigan	8	9	28,848	29,862	28,171	87,418	3.10	29,645	94,515	3.19	3,264	3,825
Indiana, Kentucky, Wisconsin	8	8	21,816	20,966	20,286	65,547	3.24	21,061	69,478	3.30	2,563	2,184
Illinois	4	4	9,108	9,608	9,203	28,617	3.11	9,069	30,186	3.33	1,163	1,811
Tennessee	6	6	8,286	7,947	8,177	25,718	3.15	8,062	25,548	3.17	1,129	955
Virginia, North Carolina, South Carolina	6	6	12,425	12,560	12,106	35,553	2.94	12,835	38,698	3.02	1,311	1,041
Georgia, Florida	7	6	11,940	11,608	11,667	37,579	3.22	11,593	38,348	3.31	800	787
Alabama	8	8	14,632	13,445	[3] 16,394	49,537	3.02	15,364	46,510	3.03	1,072	1,529
Louisiana, Mississippi	6	6	9,249	8,943	9,722	30,793	3.17	9,158	29,033	3.17	754	816
Minnesota, South Dakota, Nebraska	4	4	7,715	6,512	7,899	26,374	3.34	6,535	21,990	3.36	1,028	1,007
Iowa	5	5	13,669	13,650	14,058	46,736	3.32	13,712	45,394	3.31	1,475	1,526
Missouri	7	8	13,956	14,888	13,848	46,228	3.34	15,044	52,119	3.46	1,931	2,539
Kansas	6	6	9,174	9,023	8,979	27,246	3.03	8,833	25,545	2.89	1,490	1,403
Oklahoma, Arkansas	5	5	12,516	12,370	12,320	36,435	3.96	12,014	35,954	2.99	1,126	1,362
Texas	19	19	31,487	32,277	30,827	97,188	3.15	31,944	99,329	3.11	2,848	3,157
Wyoming, Montana, Idaho	4	4	3,694	3,485	3,704	12,354	3.34	3,356	11,548	3.44	670	792
Colorado, Arizona, Utah, New Mexico	7	7	11,655	10,974	11,484	38,844	3.38	10,885	37,664	3.46	1,199	1,287
Washington	6	7	6,205	5,884	6,820	24,340	3.57	5,614	20,581	3.67	480	799
Oregon, Nevada	4	4	4,276	3,393	4,541	16,393	3.61	3,518	12,707	3.61	265	265
Northern California	6	6	18,931	17,877	19,020	63,088	3.32	17,822	61,109	3.43	1,872	1,418
Southern California	7	8	26,391	24,178	26,367	83,214	3.16	24,212	76,851	3.17	1,776	1,745
Hawaii	2	2	1,706	1,444	1,749	9,046	5.17	1,395	7,360	5.28	177	217
Puerto Rico	2	2	8,071	7,963	7,603	24,277	3.19	8,447	27,397	3.24	618	151
Total	184	188	384,632	369,399	[3] [4] 380,694	1,187,261	3.12	374,017	1,175,605	3.14	41,297	41,659

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[1] Includes Puerto Rico.

[2] Incorporates some revisions.

[3] Includes imported cement.

[4] Does not include finished cement used in manufacturing prepared masonry cement as follows: 1966, 2,065,000 barrels; 1967, 2,134,000 barrels.

Source: Bureau of the Mines

STATEMENT OF LONE STAR INDUSTRIES, INC.
BEFORE THE SUBCOMMITTEE ON TRANSPORTATION

EXECUTIVE SUMMARY

This hearing addresses an issue of great consequence to the thousands of workers and dozens of firms that constitute the American cement industry: namely, whether Federal highway funds will be used to create jobs in this country or abroad. Lone Star Industries, Inc. (the nation's largest cement producer) urges this Committee to answer that question, as the House of Representatives recently did, by reinstating Buy America protection for cement.

As we shall demonstrate below, inclusion of cement in the Buy America requirement is appropriate for two reasons. First, such action is necessary to preserve American jobs. A central purpose of the nickle-a-gallon gasoline tax imposed in 1982 was to create additional jobs in the United States. The Commerce Department has stated that that legislation created or preserved over 1600 jobs in this nation's cement industry. Absent Buy America protection, those jobs will be vulnerable to appropriation by foreign producers. In the last seven years, 28 U.S. cement plants closed down. Imports contributed to the weakened markets that led to these closings. Indeed, just in the last few months, Lone Star was forced to sell its Catskill plant in upstate New York to a Canadian producer because of the weakened market that resulted from cement imports. Cement is so important to the construction industry and defense of the United States that this country must not allow itself to become dependent upon foreign cement.

Second, reinstatement of Buy America protection for cement is appropriate in light of Canada's own domestic procurement preferences. U.S. cement producers cannot compete freely in Canada because of pervasive "Buy Canadian" programs at the national and provincial levels. Until Canada eliminates its preferences for domestic cement, the United States should not unilaterally eliminate its own minimal protection. Restoration of the Buy America provision could provide the Trade Representative with a useful bargaining chip in negotiating with the Canadians.

The major argument made against the Buy America provision -- that curtailment of imports would lead to shortages in this country -- is baseless. The U.S. cement industry is operating at only 75 percent of capacity: there is thus ample excess capacity to satisfy increased demand. The Buy America requirement, moreover, would not restrict the use of foreign cement in anything other than Federal highway projects. Imported cement could still be used freely in all private construction, which does not implicate the taxpayers' dollars. Should any spot shortages arise, they could readily be met by invoking the waiver provisions already contained in the statute.

When Congress enacted the nickle-a-gallon gas tax in 1982, it adopted a stringent "Buy America" requirement that expressly protected "steel, cement and manufactured products." That salutary provision benefited American workers throughout 1983. At the insistence of the Senate, however, cement was deleted from the Buy America requirement in March of this year. That deletion did not reflect a judgment on the merits of such protection. Rather, Committee Chairman Stafford and Subcommittee Chairman Symms justified the deletion in terms of the integrity of the conference process: the Senate conferees for the 1982 Act believed that cement had been included in the statute by error, and they insisted that the provision be amended to reflect the terms that they had agreed upon.

That procedural dispute has now been rectified, and Lone Star is grateful that this Committee is at last examining the merits of Buy America protection for cement. We are confident that this hearing will lead the Senate to concur in the decision of the House by reinstating Buy America protection for cement.

I. INCLUSION OF CEMENT IN THE BUY AMERICA REQUIREMENT IS NECESSARY TO PRESERVE AMERICAN JOBS

Denial of Buy America protection for cement will frustrate a central purpose of the nickle-a-gallon gas tax: creation of jobs in this country. Cement imports will continue to cause plant closings and the transfer of jobs abroad.

A. The 1982 Gas Tax Sought to Create Jobs in This Country

When Congress enacted the Surface Transportation Assistance Act of 1982, it adopted the nickle-a-gallon gasoline tax proposed by the Administration. That tax had a dual purpose: to facilitate the maintenance and repair of the nation's roadways and bridges and to create jobs in the construction industry and related sectors of the economy.

To promote that latter objective, Congress strengthened the Buy America requirement adopted in 1978 by, among other things, extending that requirement to cement. As the sponsor of the 1982 provision explained:

> "[W]e need to guarantee that the revenues from the 5 cents/gallon tax increase will be spent on American goods and services. I believe my Buy America amendment will insure that the jobs we are creating today will remain among the taxpayers who will be financing this program."

128 Cong. Rec. H8985 (daily ed. Dec. 6, 1982) (remarks of Rep. Applegate). Another key proponent of the Buy America provision stated:

> "[W]e are asking the American people to accept a substantial increase in their tax burden under the bill for the purpose of improving the Nation's highways, replacing some of the 100,000 bridges that are declared dangerous, too dangerous, some of them, to drive on, and for the additional purpose of creating some 320,000 direct jobs in the construction field.
>
> "In return for the tax increase, we ought to be assuring that the materials to be purchased under this legislation will create additional American jobs in the materials supply sector of the economy."

Id. at H8986 (remarks of Rep. Oberstar).

The Buy America provision is critical to the domestic cement industry. Road and bridge projects in the United States consumed over 14 million tons of cement in 1983, with a value of approximately $700 million. Such projects accounted for over 20 percent of all cement consumed in this country last year. The nickle-a-gallon gas tax alone is generating enough highway construction to consume 2.5 million tons of cement annually.[1] *The Commerce Department has concluded that the 1982 Act will save or create over 1600 jobs in the cement industry*.[2]

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[1] Information supplied by Portland Cement Association (July 1984).

[2] U.S. Dep't of Commerce, Bureau of Industrial Economics, *Construction Review*, May-June 1983, at 25.

B. Imports of Foreign Cement Are Destroying American Jobs

The cement industry in the United States is on the ropes. Industry-wide earnings in recent years have been far below the earnings of other manufacturing industries. Twenty-eight domestic cement plants have been closed in the last seven years. Assuming that each plant employed 150 workers (a conservative figure), 4200 cement workers in this country have lost their jobs since 1977.

Imports of foreign cement have contributed to the depressed state of the domestic industry. Foreign cement producers have pursued an aggressive marketing program in the United States. In 1975, for example, all foreign cement companies combined operated only three cement terminals in the United States. Today, they operate 106 terminals in this country. Indeed, in the last few months, Lone Star was forced to sell its Catskill plant in upstate New York (which had employed 110 workers) to a Canadian manufacturer: the weakened market resulting from foreign imports (mostly Canadian) had undermined the viability of the plant for Lone Star. Absent Congressional action, U.S. producers can look forward to additional plant closings and job terminations. Gradually, the nation's construction industry and defense could become dependent upon foreign cement.

II. CANADA PROTECTS ITS CEMENT PRODUCERS FROM U.S. COMPETITION

Reinstatement of Buy America protection for cement is appropriate in light of Canada's own domestic procurement preferences. At both the national and provincial levels, Canadian governmental entities vigorously promote the use of Canadian materials in public projects. The province of Ontario, for example, has enforced a 10 percent price preference for Canadian goods since 1967. In 1980, Ontario extended this "Buy Canadian" program "to include all purchases made by government-funded bodies." The province established an Office of Procurement Policy "to oversee this extension and to create guidelines that will result in an increase in the Canadian content of all Ontario government purchases." As the Minister responsible for the preference program explained:

> "Supporting Canadian business from Canadian dollars helps maintain national employment and keeps additional wealth in the country. By working together within Ontario, we will contribute to the economic prosperity of Canada and to a renewed sense of unity in this nation." 3/

In 1981, the Premier of Ontario directed "all provincially funded bodies and institutions" to adhere to

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3/ Industry & Tourism Ontario, "It's Official Now: Ontario Buys Canadian," Public Purchasing News, June 1981.

the 10 percent Buy Canadian preference. He explained the basis for that preference in the following terms: "We believe that the taxpayers who provide the funds for government should receive the benefits of their investments in terms of employment and profits."[4/]

Ontario's Buy Canadian preference is fairly representative of the policy of other provinces and of the national government. A detailed study by the International Trade Administration of the U.S. Department of Commerce found that rigid Buy Canadian preferences are maintained by federal agencies, Crown corporations, and the provincial governments. The Canadians enforce these preferences both through their procurement policies and through the "tendering" process, which effectively excludes U.S. companies from bidding for Canadian public contracts. Although a U.S.-Canadian Agreement on Government Procurement, which bars certain types of discrimination, took effect in 1981, it does not apply to the provinces or to Crown corporations. Even with respect to the federal government, moreover, the Agreement expressly excludes the Canadian Department of Transport.[5/] Thus, U.S. cement producers continue to be

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[4/] Memorandum from Premier William G. Davis, Jan. 27, 1981.

[5/] International Trade Administration, U.S. Department of Commerce, Government Procurement Opportunities: Canada (Sept. 1983) at 1-2, 11-12, 17.

stymied by Buy Canadian preferences from securing Canadian highway projects.

The disparity between Canadian and U.S. accessibility to cement imports is striking. In 1983, the United States imported over 2.2 million tons of cement from Canada; Canada imported 106,000 tons of U.S. cement. In 1982, U.S. imports from Canada were about 2.1 million tons; Canadian imports from the U.S. were 134,000 tons. And in 1981, the U.S. imported over 2.3 million tons from Canada, compared to Canadian imports of 208,000 tons. During that three-year period, U.S. imports exceeded Canadian by nearly 15 to 1.[6/]

Lone Star submits that, so long as Canada enforces domestic preferences for its public projects, the United States should adopt a similar policy. It is unfair to subject the U.S. cement industry to foreign penetration at the same time that it is barred from competing abroad. Reinstatement of Buy America protection for cement would provide the U.S. Trade Representative with a useful bargaining chip in negotiating with the Canadians: when

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[6/] Information supplied by Portland Cement Association (July 1984). With respect to Mexico, U.S. cement imports between 1981 and 1983 totalled just over 1 million tons, while Mexico imported 131,000 tons from the U.S. -- a ratio of 8 to 1.

they allow foreign cement freely to be used in highway projects, so will we.[7/]

III. FEARS OF CEMENT SHORTAGES ARE IMAGINARY

Representatives of Canadian cement producers have warned that inclusion of cement in the Buy America requirement would create serious cement shortages in this country. Those fears are imaginary.

The domestic industry has ample excess capacity. In 1983, U.S. cement producers operated at only 75 percent of capacity. Moreover, the Buy America provision applies only to Federal-aid highway projects, which constitute a small part of the total U.S. market. All other consumers of cement would remain free to purchase foreign cement.

In any event, the Surface Transportation Assistance Act already contains a provision that authorizes waiver of the Buy America requirement in the event of shortages.[8/]

[7/] Mexico presents different problems than does Canada. The Mexican government (through PEMEX) provides a massive energy subsidy to Mexican cement producers. PEMEX provides fuel oil to those producers at about one-eighth its true value ($4 per barrel, versus the export price of $28 to $33 per barrel). Because energy expenses account for about half the cost of producing cement, this subsidy -- which is equivalent to about $20 per ton of cement -- gives Mexican producers an unfair advantage that no U.S. producer can overcome.

[8/] Surface Transportation Assistance Act of 1982, § 165(b)(2), Pub. L. No. 97-424, 96 Stat. 2097, 2137 (1982).

Significantly, Canadian producers repeatedly invoked that waiver provision when cement was included in the requirement in 1983. But they were not able to establish the existence of any shortages. In a typical decision [copy attached hereto], the New York State Department of Transportation concluded in September 1983:

> "Following a thorough technical and legal review and evaluation of all the available information, including input obtained from the June 16, 1983 public hearing and related correspondence, the Department has decided not to seek approval from the federal government for a waiver.
>
> "Waivers can only be granted where there is evidence that adequacy and availability of domestic supply is insufficient, or that the quality of the domestic product is unsatisfactory or that the use of the domestically produced product would be otherwise inconsistent with the public interest. The Department's evaluation of the record shows that these conditions were not met at this time as is required by federal regulations."

As that decision indicates, there have been, and are likely to be, no cement shortages in this country.

Conclusion

In March of 1984, at the insistence of the Senate, cement was deleted from the Buy America requirement. That deletion was not based upon the merits of such protection. Rather, it occurred because several Senate conferees for the 1982 Act insisted that they had not agreed to certain aspects of the Buy America provision contained in that statute. The floor leaders for the 1984 statute deleting cement emphasized that the deletion was necessary to maintain the integrity of the conference process. Senator Stafford, Chairman of the Committee on Environment and Public Works, explained:

> "[T]he issue before us is the integrity of the conference report reached in December 1982. I do not believe that the merits of Buy America are at issue here, but rather the integrity of that agreement."

129 Cong. Rec. S14,587 (daily ed. Oct. 25, 1983) (emphasis added). Similarly, Senator Symms, Chairman of this Subcommittee, stated:

> "[T]he provision in H.R. 3103 [deleting cement] is not a statement in support of or in opposition to Buy America requirements. The purpose of the provision is to restore language which the Senate conferees believe had been agreed to in conference on the STAA of 1982. . . . What we are discussing here is not what your personal preference is on Buy America. What I am discussing here is the integrity of the Senate in terms of what we thought we agreed to. . . ."

Id. at S14,586-87.

The integrity of the conference process has been vindicated by the removal of the offending provision. The time has now come for the Senate to address the merits of the Buy America provision. The only fair way to resolve that issue -- for the American taxpayer who is funding the highway projects; for the American cement worker whose job is in peril; and for the American producer who is foreclosed from foreign markets by their domestic preferences -- is to reinstate Buy America protection for cement.

Attachment

STATE OF NEW YORK
DEPARTMENT OF TRANSPORTATION
ALBANY, N.Y. 12232

JAMES L. LAROCCA
COMMISSIONER

September 13, 1983

Ms. Margaret B. Hannigan
325 King St., Apt 6-I
Port Chester, NY 10573

Dear Ms. Hannigan:

Commissioner Larocca has asked me to advise you of the Department of Transportation's decision on the "Buy America" cement waiver matter. As you are aware, this issue arose when requests were made to have the Department petition the Federal Highway Administration for a waiver of the "Buy America" provisions of the 1982 Surface Transportation Assistance Act as they pertain to cement.

Following a thorough technical and legal review and evaluation of all the available information, including input obtained from the June 16, 1983 public hearing and related correspondence, the Department has decided not to seek approval from the federal government for a waiver.

Waivers can only be granted where there is evidence that adequacy and availability of domestic supply is insufficient, or that the quality of the domestic product is unsatisfactory or that the use of the domestically produced product would be otherwise inconsistent with the public interest. The Department's evaluation of the record shows that these conditions were not met at this time as is required by federal regulations. Moreover, the spirit of the law's requirement to use domestic supply would be violated by a request for a waiver under these circumstances unless there are overriding factors to the contrary.

Your interest and contributions to this complex matter are appreciated.

Very truly yours,

James J. Murphy

JAMES J. MURPHY, P.E.
Director, Materials Bureau

STATEMENT OF THE CEMENT DIVISION OF THE NATIONAL GYPSUM COMPANY

I am John Piecuch, President of the Cement Division of National Gypsum Company. Your invitation to appear before the Subcommittee today is very much appreciated.

The Cement Division produces and sells cement in the Great Lakes region under the name "Huron" Cement and in the Mid-Atlantic region under the name "Allentown" Cement.

In the Great Lakes area, cement is manufactured at the largest plant in North America. The plant is located in Michigan and its operation makes the Cement Division the largest employer in the northeast part of the state. Huron cement is distributed to thirteen terminals throughout the Great Lakes areas by a fleet of six vessels specially constructed to haul bulk cement. Our market in the Great Lakes region includes New York, Pennsylvania, Ohio, Michigan, Indiana, Illinois, Wisconsin, Minnesota and North Dakota.

The Cement Division manufactures cement for the Mid-Atlantic region at a plant located just north of Reading, Pennsylvania. This cement is distributed from three terminals in New Jersey, Connecticut and Maryland. Our Mid-Atlantic region includes Connecticut, Metropolitan New York City, New Jersey, Eastern Pennsylvania, Maryland, West Virginia, Delaware and the District of Columbia.

We welcome the Subcommittee's hearing on the merits of a Buy-America provision for cement used in federally financed highway projects. This issue is important to our economic health and international competitiveness. The balance of my testimony is devoted to the reasons why the Buy America provision for cement should be reinstated.

I. THE BUY-AMERICA PROVISION FOR CEMENT SHOULD BE REINSTATED FOR REASONS OF RECIPROCITY AND TO PROVIDE A MORE EQUITABLE BASIS UPON WHICH TO BASE NEGOTIATIONS TO REDUCE BARRIERS TO TRADE IN CEMENT

Reinstatement of Buy America protection for cement is appropriate in view of other countries' own domestic procurement preferences. For example, as pointed out in Government Procurement Opportunities - Canada,[1] "Buy Canada" preferences are maintained at both the federal and provincial levels. These preferences are enforced through statutory policies and the administration of the tendering process. For example, although the U.S.-Canadian Agreement on Government Procurement bars certain types of discrimination, Canada specifically excluded its Department of Transport, a federal agency, from the Agreement. This exclusion is particularly relevant since the Department is a major source of construction contracts.[2] In ou[illegible]perience, these "Buy Canada" preferences have effectively excluded the Cement Division from even bidding for contracts.

The disparity between Canadian and U.S. market access to cement imports verifies the effectiveness of Canada's domestic procurement preferences. In 1983, the United States imported over 2.2 million tons of cement from Canada; Canada imported 106,000 tons of U.S. cement. In 1982, U.S. imports from Canada were approximately 2.1 million tons; Canadian imports from the United States amounted to 134,000 tons. And in 1981, the United States imported 2.3 million tons of Canadian cement, compared to Canadian imports from the United States of 208,000 tons. U.S. imports during this three-year period exceeded Canadian imports by a ratio of nearly 15 to 1.[3/]

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[1] International Trade Administration, U.S. Department of Commerce (September, 1983).

[2] *Id*. at 2, 17.

The aggressive promotion of "Buy Canada" preferences by Canadian political leaders demonstrates that such preferences are considered important to the economic health of Canada. The Province of Ontario, for example, has enforced a ten percent price preference for Canadian goods since 1967. In 1980, Ontario extended this "Buy Canadian" program "to include all purchases made by government-funded bodies." The Premier of Ontario established an Office of Procurement Policy "to oversee this extension and to create guidelines that will result in an increase in the Canadian content of all Ontario government purchases." The Premier directed "all provincially funded bodies and institutions" to adhere to the 10 percent Buy Canadian preference. He explained the reason for the preference in the

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[3/] Between 1981 and 1983, the United States imported over 1 millions tons of Mexican cement, while Mexico imported only 131,000 tons from the United States.

following terms: "We believe that the taxpayers who provide the funds for government should receive the benefits of their investments in terms of employment and profits."[4]

As you know, reciprocity is a fundamental principle upon which our bilateral and multilateral trade relationships are built. The recent repeal of the Buy-America provision for cement undermines reciprocity and unilaterally disarms our trade negotiators.

Canadian political leaders are unequivocally committed to "Buy-Canada" preferences. Thus, the reinstatement of the "Buy-America" provision for cement is necessary if meaningful negotiations to reduce trade barriers are to be initiated. In the absence of successful negotiations, the Cement Division and other U.S. cement producers who may be in the same position will continue to be stymied by Buy Canadian procurement preferences from securing Canadian highway and other projects.

We have had an extremely difficult time trying to do business in Canada. In 1983, we attempted to establish a bulk cement marketing operation in Canada. As a first step, we formally requested authority for two truck carriers (one Canadian and one U.S.) to haul our cement from points within Canada and from Buffalo and Detroit into Canada. Our request was denied by the Ontario Highway Transport Board. After considering the testimony of Canadian cement producers, the Board advised us to use a Canadian trucker who is the principal hauler of a major Canadian cement company. This type of requirement would place any company in a totally impossible operating condition, particularly in a new marketing area.

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[4] Memorandum from Premier William G. Davis, January 27, 1981.

II. THE BUY-AMERICA PROVISION FOR CEMENT SHOULD BE REINSTATED BECAUSE OF ITS POSITIVE ECONOMIC IMPACT

Denial of Buy American protection for cement is not consistent with a central purpose of the nickel-a-gallon gas tax: creation of jobs in this country. The Congress expected the Surface Transportation Assistance Act of 1982 to assist in the cement industry's economic recovery. As a key proponent of the 1982 Buy America provision explained:

> "[W]e are asking the American people to accept a substantial increase in their tax burden under the bill for the purpose of improving the Nation's highways, replacing some of the 100,000 bridges that are declared dangerous, too dangerous, some of them, to drive on, and for the additional purpose of creating some 320,000 direct jobs in the construction field.
>
> "In return for the tax increase, we ought to be assuring that the materials to be purchased under this legislation will create additional American jobs in the materials supply sector of the economy."

128 Cong. Reg. H8986 (daily ed. Dec. 6, 1982) (remarks of Rep. Oberstar).

In 1983, road and bridge construction projects in the United States consumed over 14 million tons of cement. The nickel-a-gallon gas tax is generating enough highway construction to use

2.5 million additional tons of cement annually.[5] This additional consumption is a positive economic factor. In our Great Lakes' marketing area, capacity utilization was approximately 60% in 1982.[6] Today, we project approximately 70% capacity utilization in the Great Lakes area.

According to the U.S. Department of Commerce, the increased level of economic activity generated by the 1982 Act would create 1,129 new jobs within the cement industry and save 485 existing jobs, for a total of 1,614 jobs.[7] To these must be added jobs directly related to the cement industry. For example, the Cement Division has approximately 2,000 suppliers, many of whom are dependent on our business. All these jobs assume a greater significance when viewed from the perspective that most cement plants are located in less densely populated areas and are in many instances the most significant economic stimulant in the community.

Cement manufacturing is a capital intensive business. As in any capital intensive business, maintenance of high utilization levels is necessary to make a profit and continually upgrade facilities. In the last several years, 28 domestic cement plants

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5/ Information supplied by the Portland Cement Association (July, 1984).

6/ North American Cement Review, March, 1984 at 10.

7/ U.S. Department of Commerce Construction Review, May-June, 1983 at 25.

have closed down. During the same period, cement companies in Canada, Mexico, Spain and other cement exporting countries have been adding capacity and modernizing their plants.

We have already felt the impact of the Buy America provision's repeal. Within the last several months, over 50,000 tons of Spanish and Canadian cement have been contracted for use in federally funded highway construction projects located in our Wisconsin and Minnesota markets. The Buy America provision is necessary to help us remain modern and competitive.

III. FEARS OF CEMENT SHORTAGES ARE NOT JUSTIFIED

My testimony would not be complete without addressing the erroneous and misleading assertion that Buy America protection will cause shortages of cement. Adequate supplies of both U.S. and foreign cement are available in the United States.

Last year, Canadian cement companies requested exemptions in Michigan and New York from the Buy America provision citing insufficient supplies of domestic cement. In both instances, the relevant state regulatory agencies found that supplies of domestic cement were more than adequate, discounted any unfavorable price impacts and denied the Canadian requests.

With respect to domestic suppliers, in 1983, capacity utilization on a national level was below 80%.8/ In the Great

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8/ North American Cement Review, March, 1984 at 10.

Lakes area, it was below 70%.[9] This percentage should marginally increase in 1984, but we do not expect that it will increase to a level which would result in any shortages in the Great Lakes region. With respect to foreign suppliers, it is absurd to suggest that Canadian or other foreign producers will stop shipping cement to the United States because of restrictions on the use of foreign cement only in federally funded highway projects. Indeed, foreign cement imports increased during the period in which the Buy America provision was in effect.

The highway paving market continues to be a highly competitive market for cement. We view this market as an important means to increase our capacity utilization. Our company competes with many U.S. cement manufacturers in highway work and we are not aware of any situation where the U.S. product was unavailable or in short supply in our marketing areas. Our cement prices have actually declined for this type of work in the last year.

Finally, it is important to understand that assertions of shortages have been made by Canadian companies which have significantly expanded their capacity levels beyond realistic local consumption levels. Consequently, they view the U.S. market as a critical part of their plan to increase plant utilization and, accordingly, have instituted very aggressive marketing programs in the United States. In their own domestic markets, where capacity utilization is comparable or in some cases below the U.S. levels, prices are actually higher than in adjacent U.S. markets. High prices in Canada should serve as a warning for U.S. cement consumers, particularly those using federal funds.

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[9] Id.

CONCLUSION

As I stated earlier, we welcome the Subcommittee's attention to the merits of the Buy America provision. We believe that the only fair way to resolve this issue on its merits is to reinstate Buy America protection for cement.

TESTIMONY

BEFORE THE U. S. SENATE SUBCOMMITTEE FOR TRANSPORTATION

by

JOSEPH SWAIN

REPRESENTING CEMENT WORKER LODGES IN
SOUTHERN AND SOUTHWESTERN UNITED STATES

My name is Joseph Swain and I am a Representative for the International Brotherhood of Boilermakers - Cement, Lime, Gypsum and Allied Division. I work out of Macon, Georgia, and represent cement workers throughout the Southern United States. I would like to thank the Committee for this opportunity to let you know about the adverse effects imported cement is having on the cement industry and its workers throughout the South and Southwest.

The cement industry is faced with a severe problem of cement imports from Mexico. It is a problem with a potential to completely wipe out the domestic cement industry in the South and Southwest. Over the last two years cement imports from Mexico have dramatically increased. In December of 1983, Mexico accounted for 31 percent of total cement imports whereas their average share of the import market from 1979 - 1982 was only 5 percent.

This dramatic increase is due to an energy subsidy the Mexican Government has been providing to the Mexican cement industry. PEMEX, the government-owned oil industry, provides energy to the Mexican cement industry at a rate of $1.30 a barrel of oil. This same oil would cost a U.S. cement producer approximately $30 a barrel. Given that about 50 percent of the cost of producing cement is attributed to energy costs, it is obvious that the Mexican Cement Industry has a tremendous competitive advantage over U. S. cement producers. With this type of advantage, unless something is done, Mexican cement imports will continue their dramatic increases and capture more and more of the U. S. cement market.

This is not just a problem that will affect the cement industry and cement workers sometime down the road -- it is a problem that is affecting us right now. I represent the workers in our Lodge D-390 who are employed by the General Portland Cement Company located in Miami, Florida. At a recent meeting the company informed us that due to imports they could no longer compete in the South Florida market area and they would have to shut the plant down. When we pressed them inquiring if there was anything we could do to keep the plant open, they stated that even if the workers were willing to work for free, it would not significantly change the situation. Now, that's a serious problem and it's caused primarily by imports.

The problem will be getting worse in Florida. Recently, it was announced that Ideal Cement Company sold their Palm Beach, Florida Terminal to Mexican interests. I'm sure this means that more and more Mexican Cement will be coming into that market, threatening continued operation and employment in the domestic cement industry.

We realize that the "Buy-American" provision of the Surface Transportation Act is not going to entirely correct the problems America faces from Mexican Cement imports; however, it should help in slowing this trend.

Our members in the South and Southwest feel strongly that American-made cement should be used in rebuilding America's infrastructure. That is why we strongly urge Congress to include the "Buy-American" requirements for cement in the Surface Transportation Act.

STATEMENT OF EDWARD P. CURTIS, JR.

On Behalf Of

THE CANADIAN CEMENT INDUSTRY

Mr. Chairman and members of the Subcommittee, I am Edward P. Curtis, Jr., President of Genesee Public Affairs, Inc., of Rochester, New York and, since 1974, a Director of Lake Ontario Cement Limited of Toronto, Canada. I appreciate the opportunity to appear today on behalf of substantially all the Canadian cement industry to describe the beneficial effects of the continued availability of Canadian cement for use in federally aided highway construction.

A list of the Canadian cement companies I am speaking for today is attached to this statement. Some of these companies may be submitting additional individual comments for the record.

The Canadian cement industry is comprised of 8 companies, operating 22 plants, employing approximately 2,600 production workers who, in large part, are represented by either the International Brotherhood of Boilermakers--Cement, Lime, Gypsum and Allied Division, the United Steelworkers of America, or the International Union of Operating Engineers.

In 1983, the Canadian cement industry purchased approximately $21 million of U.S. coal, paid U.S. companies about $14 million to transport cement, and spent some $11 million for U.S.-produced equipment and supplies. Additionally, the industry's capital investment in the U.S. amounted to more than $33 million in 1983.

Of the 4.2 million tons of cement and clinker imported by the U.S. in 1983, Canadian production accounted for approximately half. In 1982, roughly 10-15% was used in federally assisted highway construction. Although this amount is relatively small, I plan to demonstrate that the consequences of precluding the use of even this amount of Canadian cement can have a substantial effect on U.S. highway construction, as well as, far-reaching consequences for the entire construction industry.

As you know, Congress included a provision in the Surface Transportation Act of 1982 that essentially forbade the use of imported cement in federally assisted highway construction projects. Although the law did contain a waiver provision, the language and the administrative interpretation, preclude timely response. Essentially, the basis upon which the States denied the various waiver requests made it abundantly clear that considerable and perhaps permanent disruption of the domestic cement market would have to have occurred before the Federal Government would likely grant a State's request for exemption from the Buy America requirement.

In any event, a revision of the Buy America mandate in the 1982 law was launched by this Committee with the unanimous adoption of the amendment to H.R. 3103 sponsored by Senator John Chafee. Senator Chafee's effort was designed to return the law to the status that the Senate conferees had originally intended when the Conference Report on the Surface Transportation Act was adopted late in December of 1982. This Committee effort, initiated in September, 1983, and endorsed by the Senate in October, 1983, was finally, albeit partially, successful when the House introduced and passed H.R. 4957 on February 29. Senate passage on March 2 and Presidential approval on March 9 allowed the Federal Highway Administration to immediately alert the States of the exemption of cement from the Buy America restrictions in time to avert substantial market dislocation in this year's highway construction season.

Let me take this opportunity to thank the Committee members and particularly Senator Chafee for a timely action which served to maintain long-standing market patterns, preclude substantially increased costs in highway construction and, in all probability, avoid a "ripple effect" of rising prices throughout the domestic ready-mix concrete and construction industry.

Role of Imported Cement

The performance of the construction industry as a whole through the 1970's demonstrates the important role that imported cement plays in maintaining a stable climate for builders in America. According to the Department of Interior analysis cited in the DOT regulatory evaluation, imports of cement are very sensitive to domestic demand. In fact, the two years during the previous decade in which the use of imported cement was the greatest, 1973 and 1979, were the years of the greatest building booms of the decade, years in which U.S. demand for cement was the greatest. The use of imports peaked at 6.6 million tons in 1973 and 9.4 million tons in 1979. As the boom subsided, the need for imports declined with only 5.2 million tons imported in 1980, 3.9 million tons in 1981, and 2.9 million tons in 1982. As the economy recovered in 1984, and more new construction was put in place, imports predictably increased, although they have not approached 1979 levels. U.S. Bureau of Mines statistics show that 1.7 million tons were imported from January to April 1984, an increase of 900,000 tons over the same period in 1983. The greatest increases in imports can be seen in high growth areas such as California and the Pacific Northwest, while in the Northeast the growth has been relatively moderate.

Perhaps the importance of imported cement to the U.S. construction industry can best be seen by reviewing the construction industry's response to increases in demand in the late-1970's, as the economy emerged from a recession. The value of new construction put in place in the United States rose from $134.3 billion in 1975 to $192.3 billion in 1978.

As demand increased from 67.1 million tons in 1975 to 86.9 million tons in 1979, the domestic industry still could not keep pace with increasing demand despite a substantial increase in capacity utilization. Thus, the amount of cement imported rose from 3.6% of the total consumed in 1975 to 10.8% of the total consumed in 1979.

The structure of the marketplace magnifies any price effects due to disequilibrium of supply and demand. This magnification of price distortions occurs because it is so expensive to transport cement long distances, from areas which are oversupplied to areas which are suffering from shortages. For instance, as shortages began, in 1978, prices increased by almost 13%, and in 1979 by almost 14%. Increases of over 25% annually were felt in some areas. As the shortages abated, prices returned to normal, prices increased by only 7% in 1980, and by 4.5% in 1981, with price rollbacks in some areas. If the delicate balance between supply and demand is shifted in a given area, and cement is not readily available, from nearby, the price effects are both severe, and far-reaching.

It may appear that the small amount of cement that would be excluded from the market if imported cement were disallowed on federally aided highway projects is too trivial to affect this delicate balance between supply and demand. However, given the supplier-purchaser relationships in the industry and the operational restraints of the largest cement customer, the ready-mix company, this is certainly not the case. Typically, a ready-mix concrete operator will have one or more plants, with a cement silo, a sand and gravel pit, a water supply and a fleet of ready-mix trucks. He will buy cement from a number of different suppliers and store it all in the same silo. "Buy America" restrictions would force ready-mix operators to segregate Canadian from U.S. cement. This leaves the operator with three choices. He may build another silo. The capital outlay required prevents most operators from doing this. He may stop bidding on highway projects. Or he can stop importing Canadian cement. If this most likely option is chosen by the majority of operators, the supply/demand balance beyond mere highway construction will be drastically altered. And, the speed with which price reacts to supply shortages ensures that importing cement cannot resume quickly enough to avert severe price increases.

The current outlook indicates that there will be shortages of supply. One of the domestic industry's leading spokesmen, James Stewart of Lone Star claims that "[A]nyone who thinks we will not have a serious cement shortage in America within a few years is either not doing his homework or is turning his back on the facts." Lone Star's 1982 Annual Report flatly states "There is a greater risk of tight supplies of cement in the years ahead." The statistics show that these fears are well founded. Presently, the entire industry is operating at about 73.5% of its rated capacity, while the Eastern region is running at about 78.9% of its rated capacity. But these figures do not reflect accurately how strained the domestic industry is right now. Even Lone Star will admit that "the real capacity of the U.S. cement industry is generally conceded to be substantially less than its official 'rated' capacity, reflecting the age and condition of the industry's plants, and unscheduled downtime for equipment failure and other unexpected events." The difference between rated and actual capacity is especially marked in the Northeast, where plants have not been modernized, and cannot be run at full capacity, because to do so in many instances, would violate environmental restrictions. For example, in the most recent peak year of 1979, the Eastern region managed a capacity utilization rate of approximately 83% which can be contrasted with the 92.5% rate of the newer plants in the Central region--primarily Texas--for the same year. Given the present utilization rate, shortages, and the accompanying exaggerated price increases would be almost inevitable, in the Northeast and upper Midwest in particular, if Canadian cement were not available to meet increased demand.

These price effects were felt to a degree while the 1982 Buy America restriction was in effect, even though it only lasted some six months and the actual highway construction effort was at an early stage. For example, in the Syracuse, New York area, cement was selling for some $65 per ton, while in other areas of upstate New York, discounts of about $5 per ton were uniformly available. Ready-mix operators in the area felt that the disparity reflected increased transportation costs because the market was not being served by the traditional Canadian suppliers, and the cement had to move from Pennsylvania or the Hudson Valley. Of course, the effects of Buy America were muffled in the start-up phase, as regulations were slowly developed, and not strictly enforced, and many ready-mix operators had existing inventories. By way of illustration, if Buy America had remained in effect, accompanied by a $5-$6 per ton apparent premium, a needless cost surcharge of $25-to-$30 million on the 5-to-6 million tons of cement necessary for STAA projects could have resulted. Fortunately, the industry was never faced with this situation, as the restrictive Buy America clauses were rescinded, and imports were allowed to resume their normal role in the market.

Market Structure

Imports, though, can play a greater role than filling short-range demand imbalances, caused by temporary demand increases. Many areas, especially Western New York and New England are consistently dependent on imports, regardless of swings in demand. This dependence has been caused by a reordering of domestic supply patterns. The cement industry in the U.S. underwent dramatic upheavals in the 1970's. Prices were frozen by law, profits were restrained to low levels, and costs were increasing as fuel and environmental protection measures became more expensive. The domestic industry was unwilling to risk the large capital outlays necessary to build or maintain a plant in areas where forecast demand was low. New plant building occurred only in areas in which increases in building in general were certain to occur. The industry decided to build primarily in the Sunbelt, while simultaneously deciding that maintenance of plants in areas in which building in general was slowed (the Northeast and Midwest) was not feasible. Capacity increased in the Sunbelt by 3.7 million tons from 1974 to 1982, and decreased in the Northeast by 6.1 million tons. The accompanying map clearly depicts the present status of the domestic industry's commitment to the Northeast. I might add that Lone Star has recently completed the sale of a plant in New York to Independent Cement, the U.S. subsidiary of St. Lawrence Cement, of Canada.

Approximately 75% of cement supplied to western New York is from Canada, and contractors in Vermont claim they obtain 90-to-100% of their cement from Canadian suppliers. These areas have been dependent on Canadian cement since the U.S. industry decided to relocate to the South and West in the 1970's. A naturally bi-national, North American market has developed along the Canadian border. To erect artificial trade barriers would disrupt natural market flows.

One very graphic illustration of the "natural" market for Canadian cement may be seen in the fact that although nearly 2.5 million (2,466,000) tons of cement are consumed in New England, there is only one producing plant in the six-state area. Deducting the production from that plant in Maine leaves a shortfall of approximately 2.0 million tons which can only be made up by imports or shipments from New York and Pennsylvania. In 1983, the State of New York consumed over 75% of the rated capacity of the New York mills which leaves available less than 700,000 tons for shipment out of state. In eastern Pennsylvania, domestic mills are reported to be sold out and currently importing clinker to augment their stocks. Clearly, there is no reasonable alternative to the traditional and long-standing use of cement from nearby Canadian mills.

If Canadian exports were restricted and the "double silo" effect were fully realized, the Northeast and upper Midwest would be forced to draw much of their cement from other parts of the country. The direct price increase resulting from the unusual regional demand and naturally increased transportation costs would not, however, be limited to the directly affected regions. As cement was unnaturally pulled from adjacent regions even areas as distant as the Southeast and Southwest would be impacted by inflated prices, since plants in those regions cannot economically supply themselves and adjacent areas hit by the "ripple effect" started in the Northeast, and upper Midwest.

Conclusion

In view of the bi-national nature of the cement market and its susceptibility to distortion with substantial demand-price swings, one must carefully seek to understand the rationale of the suggested Buy America restrictions which would result in a negative effect on an entire market. Since present Trade Law remedies provide redress for unfair foreign trade practices, the typical premise that is employed to support most ad hoc Buy America efforts is a societal goal of enhanced employment balanced against the inevitable "cost" to the American consumer/taxpayer in protecting these jobs.

The "Buy America" provision in the Surface Transportation Act of 1982 as applied to cement would not have achieved the goal of saving a substantial number of U.S. jobs, and, because of a rising demand for cement used in the construction industry, the requirement would have actually exacerbated projected shortages and contributed to rapidly rising prices.

The Department of Transportation asserted in the "Final Regulatory Evaluation" of its rule implementing the Buy America provision, that the legislation would save 1,056 jobs otherwise "lost" due to the use of imported cement. The fatal flaw in this analysis is that DOT misperceived the difference between cement and concrete production, and, thereby, misunderstood the data prepared by the Bureau of Labor Statistics on employment in cement, concrete and related industries. In this regard, the Buy America legislation will only have an impact on jobs in the cement industry; indeed, because of increased expenditures for road construction, the ready-mix concrete industry will employ more, not fewer, people regardless of the Buy America provision.

The BLS statistics include jobs related to cement, concrete and related industries. The DOT analysis failed to take into consideration the discrete characteristics of the segments of the industry, and as a result of this misunderstanding of BLS statistics, indicated that it would take 24,000 jobs to produce cement valued at $968 million. The folly of this analysis is seen in the fact that, based upon statistics compiled by the Commerce Department in its U.S. Industrial Outlook 1983, the U.S. cement, not concrete, industry in 1982 employed a total of 27,000 workers (21,000 of which were in production) who produced cement valued at $3.96 billion.

With regard to cement, then, the proper analysis of the potential "worst case" impact of the Buy America provision is as follows:

1. Assuming, as was done in the DOT regulatory analysis, that the legislation will actually occasion the expenditure of a total of $11 billion on federal highway projects in a given year, this would result in the consumption of 5.225 million tons of cement. (A DOT press release distributed at the time of the Act's passage stated that the $4 billion in additional revenue raised by the gas tax would result in the consumption of 1.9 million tons of cement, or 475,000 tons of cement per billion dollars of expenditure. This calculation is fully consistent with statistics compiled by the Portland Cement Association as well as DOT's draft regulatory analysis.)

2. If it is assumed that 4.4% of the 5.225 million tons were imported (as was assumed in the Regulatory Evaluation), this would result in a total of 229,900 tons of cement being imported into the United States.

3. Applying the industry-wide productivity figure for 1982 as developed by the Portland Cement Association of 2,563 tons per employee per year to these 229,900 tons, results in a total employee impact of only 89.7 employees. Thus, the potential impact is less than one-half of 1% (.004) of the total number of production employees in the U.S. cement industry, and only 8.5% of the DOT estimate. Since demand for cement for non-highway uses has increased significantly, the job effect of the Buy America provision will be substantially less and, in all likelihood, non-existent.

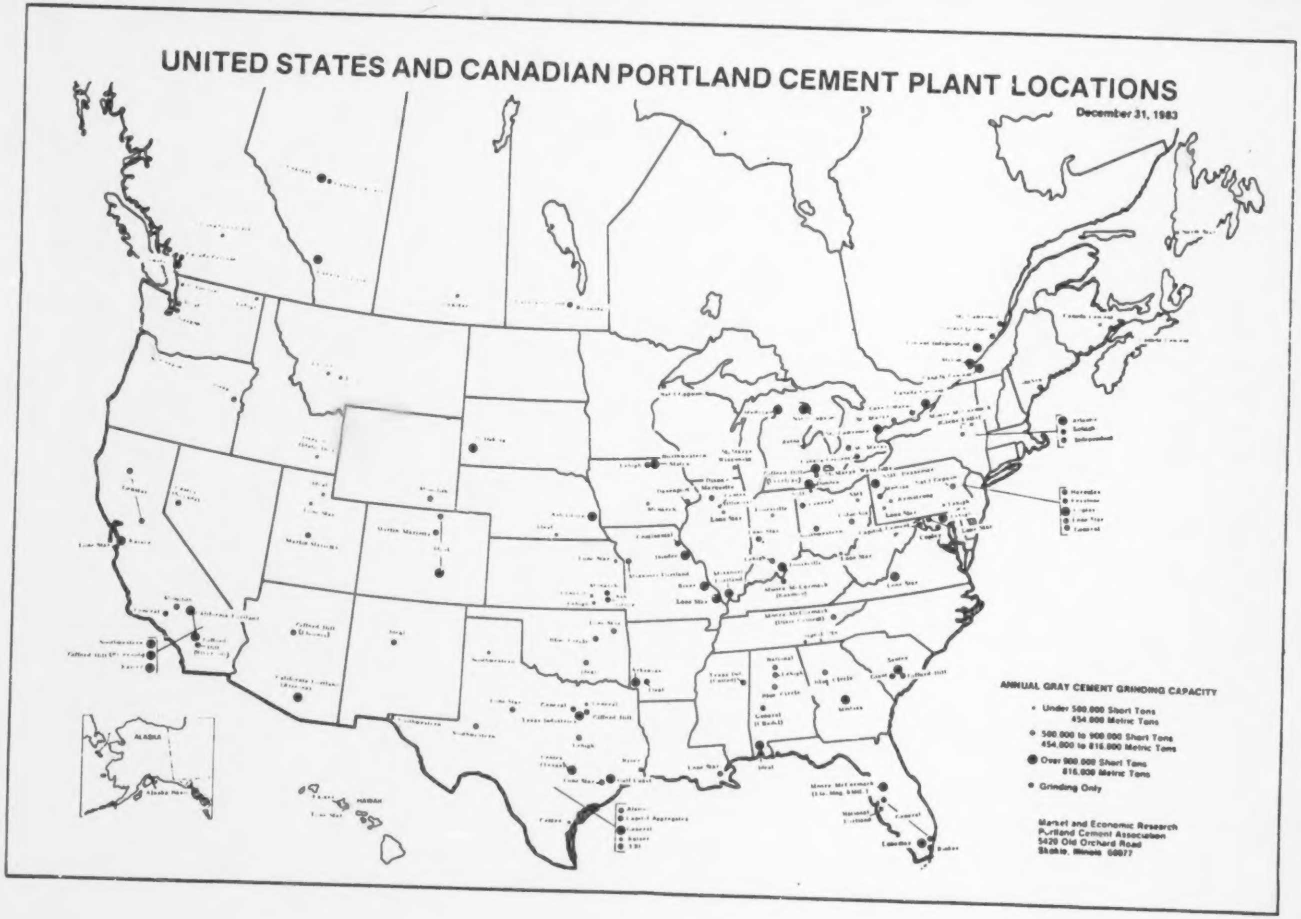
Canada Cement Lafarge Ltd.
Montreal, Quebec

Genstar Ltd.
Montreal, Quebec

Lake Ontario Cement Ltd.
Toronto, Ontario

St. Lawrence Cement, Inc.
Montreal, Quebec

St. Mary's Cement Ltd.
Toronto, Ontario



UNITED STATES AND CANADIAN PORTLAND CEMENT PLANT LOCATIONS

December 31, 1983

ANNUAL GRAY CEMENT GRINDING CAPACITY
• Under 500,000 Short Tons 454,000 Metric Tons
● 500,000 to 900,000 Short Tons 454,000 to 816,000 Metric Tons
● Over 900,000 Short Tons 816,000 Metric Tons
● Grinding Only
ALASKA
HAWAII

Market and Economic Research
Portland Cement Association
5420 Old Orchard Road
Skokie, Illinois 60077

BLUE ROCK
INDUSTRIES
58 Main Street
WESTBROOK, MAINE 04092
Tel. 854-2561

July 31, 1984

Chairman Steven Symms
Transportation Subcommittee to the
Committee of Environment & Public Works

Re: Current Buy America Legislation

Dear Chairman Symms:

My company, Blue Rock Industries, is a leading producer of ready mixed concrete in the State of Maine, and has been for over 50 years.

We have two concrete plants - one in Westbrook and one in Sidney. Because cement is relatively inexpensive and heavy, shipping costs become progressively important the further one ships from the cement plant. Our Sidney plant is located in the Waterville-Augusta area of Central Maine. This plant has only two viable sources of cement. The Thomaston, Maine plant of Cianbro Corp. and Independent Cement which operates a terminal in Portland, Maine, and is supplied from Canadian cement mills. In preceding years we have purchased our cement from Cianbro and Independent Cement.

Our competitor at the Sidney Plant is Cianbro Corp. which is vertically integrated into the ready mix concrete business. They are cement producers, redimix producers, and a large general contractor.

We most earnestly request that this proposed Buy America legislation not be enacted for the following reasons:

1. Our only defense presently against predatory pricing by the Cianbro competition is the presence of our alternate supplier, Independent Cement. This legislation if enacted, would remove the only protection which we presently have against this unfair pricing advantage and could lead to market dominance by our competitor. We feel that it is unfair for a cement producer to be in the concrete business where he can dominate the market.

2. Ready mix concrete is extremely sensitive to small price changes. Because of their vertical integration, Cianbro could easily have a significant price advantage on redi-mix product.

3. Cement is again expected to be in short supply in another year or two; as recently as 1973 this same Thomaston plant (operated then by another company) was unable to meet our needs. This could happen again and conceivably leave us without an alternate nearby source.

4. Although highway construction is a minor part (5%-7%) of cement consumption in Maine, most companies do not have the materials storage capability to separate approved and non-approved cement for Dept. of Transportation projects.

Additionally, we think it philosophically wrong for the government to effectively dictate who we legitimately choose to do business with.

Very truly yours,
BLUE ROCK INDUSTRIES

Robert B. Nunley
General Manager
Materials Division

RBN/cld

PORT OF NEW ORLEANS
CENTROPORT®
U.S.A.

July 30, 1984

The Honorable John H. Chafee
United States Senator
Room 567 Dirksen Senate Office Bldg.
Washington, D.C. 20510

Dear Senator Chafee:

The Port of New Orleans and other ports on the lower Mississippi River import almost 125,000 tons of cement each year from Canada, Mexico and Sweden. More than 80 percent of the total is imported from Mexico. We therefore strongly oppose the "Buy America" provisions of surface transportation legislation pending in Congress. H.R. 5504, the Federal Highway Act of 1984," would not permit federal funds to be used if cement which is produced or manufactured in foreign countries which are located in North America is used. The effect of these bills would be to deny the public and private construction sectors the opportunity of obtaining competitively priced cement. This highly controversial provision should be excluded from highway aid legislation. We do support the companion Senate bill (S. 2527) which does not include cement under the "Buy America" provision.

Your assistance in this regard would be very much appreciated.

Sincerely,

Edward S. Reed
Executive Port Director-
General Manager

cc: The Honorable Russell B. Long
The Honorable J. Bennett Johnston

RINKER
MATERIALS CORP.
CEMENT DIVISION
FIRST WITH THE BEST
ADMINISTRATIVE OFFICE - P. O. DRAWER K, WEST PALM BEACH, FLORIDA 33402, 305/833-5555

July 23, 1984

Senate Committee on
Environment and Public
Works
410 Dirksen Senate
Office Building
Washington, D.C. 20510

Re: Transportation Subcommittee Hearing on "Buy America"

Gentlemen:

Rinker Materials Corporation offers the following comments concerning "Buy America" restrictions on the use of foreign-made cement in Federal-Aid Highway Projects and we ask that this be read into the minutes:

1. Our company is the largest supplier of building materials in the State of Florida. We have provided construction products (including ready-mix concrete, concrete block, cement, gypsum wallboard, reinforcing steel, and other related items) to the industry since 1926.

2. Rinker Cement Division produces in excess of 600,000 tons of cement for State consumption from a manufacturing plant in Miami, Florida. Additionally, we supplement our production by importing cement into our deep water terminals at Port Canaveral and Port Everlgades, Florida.

3. We import cement because, historically, production capacity of cement producers in Florida has not met demand. As an example, total State production capacity was 3.9 million tons in 1982, while demand was 4.4 million tons (an extremely bad year for construction). In some years, this production shortfall has been as much as 1.8 million tons.

   When possible, our Company purchases cement from local producers. However, as a result of this imbalance, Rinker has found it a matter of economic survival to be able to import foreign cement.

4. The quality of cement imported into Florida is competitive with that which is produced in the State. The construction industry does not suffer from a quality standpoint as a result of imports.

5. Many ready-mix concrete/concrete products producers have only one cement storage silo. The effect of a "Buy America" restriction is to restrict these producers, who wish to participate in Federally funded projects, to domestic cement for all of their work.

   We do not think it is the intent of the Federal Government to mandate the purchase of domestic cement for all work in the United States. A "Buy America" restriction effectively will do just that.

6. Without imports, construction costs would skyrocket in Florida, and the industry itself would suffer severe damage as a result of the unavailability of this basic building material. Unemployment would increase substantially, and our economy would once again stagnate.

Restricting imports is contrary to this country's free trade policy, and prevents foreign countries from being able to import the agricultural, industrial, technological, and other American products they desire. Additionally, history has taught us that protectionist barriers are a two-way street.

Buy America restrictions are not in the best interests of our Nation, and should be eliminated.

Very truly yours,

Alan L. Spessard
Vice President
Cement Division

ALS:mad

SME The SME Group Companies
P. O. Drawer 1187 — Uniontown, Pa. 15401
Phone: (412) 438-0536 Telex: 866529

July 17, 1984

Honorable Robert T. Stafford
U.S. Senate
Washington, D.C. 20510

Dear Senator Stafford:

The SME Group Companies hereby solicits your cooperation and consideration for the reinstatement of the "Buy America" provision for cement into the 1982 Surface Transportation Assistance Act.

The SME Group Companies own and operate three cement plant facilities as follows:

SME Bessemer Cement, Inc. - with a plant facility located in Bessemer, Pennsylvania.

SME Cement, Inc. - with plant facilities located in Middlebranch, Ohio and Sylvania, Ohio.

In total, 500 employees are maintained between the three cement plant facilities, including inhouse trucking divisions for transporting the cement to highway project contractors for which approximately 35% of our business is directed toward highway programs.

However, should it be necessary to compete with foreign cement producers who would dump cement along the shores of Lake Erie, we would be forced to greatly reduce our operations and to layoff between 150 to 200 employees.

The reinstatement of the "Buy America" provision for cement into the 1982 Surface Transportation Assistance Act is a very relevant factor, not only to the United States cement producers, but also to the American people who are employed by cement producers.

The Buy America provision must be maintained in order to recover in 1984 and 1985 the recession that took place.

The Senate Subcommittee on Transportation is scheduled to receive testimony from a limited number of United States cement producers on August 1, 1984. Although our cement companies shall not be personally represented at said meeting, this correspondence represents our written testimony of the importance and impact the reinstatement of the Buy America provision shall have on United States cement producers, their employees, as well as the United States economy.

We, therefore, strongly urge you to seriously consider the testimony and facts which shall be presented to you at the August 1st meeting and to support the United States cement producers by supporting the Buy America provision for cement.

Sincerely,

Frank Carlow

Frank Carlow
CHAIRMAN & CEO
THE SME GROUP COMPANIES

SEAWAY PORT AUTHORITY OF DULUTH
MINNESOTA'S WORLD PORT

DAVIS HELBERG
EXECUTIVE DIRECTOR

1200 PORT TERMINAL DRIVE
P.O. BOX 6877 / DULUTH, MINNESOTA 55806 U.S.A.
218/727-8525 / CABLE "SPAD" / TWX 910-561-0052

July 30, 1984

The Honorable Steven D. Symms
Chairman, Transportation Subcommittee
Senate Environment and Public Works Committee
United States Senate
509 Senate Hart Office Building
Washington, D.C. 20510

RE: "Buy America" Restrictions and
The Use of Foreign-Made Cement in
Federally Aided Highway Construction

Dear Senator Symms:

Regarding the hearing on the captioned subject Wednesday (Aug. 1) before the Transportation Subcommittee of the Senate Environment and Public Works Committee, we would like to offer the following comments:

- The Upper Midwest region (Minnesota, North and South Dakota, Iowa, Wisconsin) experienced an acute shortage of cement during the period of 1977-79. Construction projects throughout the area were adversely affected. Cement prices went out of sight and availability was near zero. Some cement was imported through the Ports of Duluth and Milwaukee to help alleviate the situation.

- A Canadian cement producer, St. Lawrence Cement, Inc., selected a site in the Port of Duluth in 1980 on which to construct a distribution terminal. A local company which had enjoyed a monopoly on regional cement sales for several years brought legal action against St. Lawrence and the Seaway Port Authority of Duluth to block the project, but to no avail. The new facility was completed in the spring of 1982 at a cost of $18 million on property leased from the Port Authority.

- The Surface Transporation Assistance Act of 1982 provided that only U.S.-produced cement could be used on certain federal construction projects and, thus, many of St. Lawrence Cement's potential customers were forced to stay captive to traditional suppliers. The law was amended in the spring of 1984 to exclude cement from the Buy America regulations and regional users were able to seek out a fair price on a free market. St. Lawrence has been able to compete this year in the Upper Midwest for the first time in its three years of operations in Duluth. The competition benefits the construction industry and, ultimately, the average citizen.

- St. Lawrence Cement contributes nearly $500,000 annually in city taxes and Port Authority rental and service fees as well as providing new direct and indirect area employment.
- Ships carrying bulk cement from Canada to Duluth inbound become available for the carriage of cargo---most notably bulk grain---at competitive rates outbound. Export grain is of vital importance to this port and this region.
- St Lawrence's existence---and present ability to compete on the market---assures users of a reliable supply at a fair price. Any changes in the current law would have adverse repercussions for all users.

We urge you to take these matters into consideration at your hearing deliberations.

Sincerely,

D Helberg

Davis Helberg
Executive Director

DH/mlk
cc: The Honorable John H. Chafee
The Honorable David Durenberger

July 31, 1984

Chairman Steven Symms
Transportation Subcommittee to the
Committee of Environment and Public Works

Re: Current Buy America Legislation

Dear Chairman Symms:

As a cement purchaser in the State of Maine I strongly oppose any restrictions on Canadian cement.

Canadian cement has been an important source of product for our company over the last several years because:

1. It gives us more than one choice of product should we not be satisfied with our only domestic supplier. Areas to be considered are quality, service, technical assistance, and other important factors that give us the ability to protect our customers' interests and assure the best job possible.

2. It gives us the choice to use the product we feel is best suited to our plant, aggregates, and projects.

3. It keeps alive the competitive nature of our business, and reinforces the need for our domestic supplier to remain actively interested in quality, service, product variety, and product development.

4. It frees us from a potential monopoly and predatory pricing.

5. It frees us from the supply-demand cycle of the Thomaston cement plant.

6. Although highway construction is a minor portion (5 to 7%) of cement consumption most companies do not have the materials storage capability to separate approved and non-approved cement for Department of Transportation projects.

This statement represents the opinions and concerns of:

Trembley Redimix Inc.	Presque Isle, Maine	Allen Trembley
Madawaska Brick & Block Co.	Madawaska, Maine	Daniel Albert
W.E. Cloutier Inc.	Lewiston, Maine	Thomas Brochu
American Concrete Inc.	Auburn and Veazie, Maine	John Snow